UNITED NATIONS JOINT STAFF PENSION FUND

REPORT
OF THE
UNITED NATIONS
JOINT STAFF PENSION BOARD

GENERAL ASSEMBLY

OFFICIAL RECORDS: FORTY-FIFTH SESSION

SUPPLEMENT No. 9 (A/45/9)

UNITED NATIONS

UNITED NATIONS JOINT STAFF PENSION FUND

REPORT
OF THE
UNITED NATIONS
JOINT STAFF PENSION BOARD

GENERAL ASSEMBLY

OFFICIAL RECORDS: FORTY-FIFTH SESSION
SUPPLEMENT No. 9 (A/45/9)

UNITED NATIONS
New York, 1990

NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

ISSN 0252-1202

[Original: English]

[24 September 1990]

CONTENTS

	Paragraphs	Page
ABBREVIATIONS		vi
I. INTRODUCTION	1 - 8	1
II. SUMMARY OF THE OPERATIONS OF THE FUND FOR THE YEAR ENDED 31 DECEMBER 1989	9 - 11	3
III. MATTERS CONSIDERED BY THE BOARD, INCLUDING RECOMMENDATIONS TO THE GENERAL ASSEMBLY	12 - 191	4
A. Actuarial matters	12 - 25	4
B. Investments of the Fund	26 - 41	7
C. Comprehensive review of the pensionable remuneration and consequent pensions of staff in the Professional and higher categories	42 - 69	10
D. Pensionable remuneration and consequent pensions of staff in the General Service and other locally recruited categories - arrangements for the comprehensive review in 1991	70 - 75	16
E. Pension adjustment system	76 - 132	18
F. Financial statements of the Fund and report of the Board of Auditors	133 - 138	34
G. Administrative expenses	139 - 151	35
H. Emergency Fund	152 - 153	38
I. Interest rate applicable to lump-sum commutations of periodic benefits	154 - 167	38
J. Articles 34 and 35 of the Regulations of the Fund - entitlement to survivors' benefits from the Fund for spouses and former spouses	168 - 187	41
K. Cases before the Administrative Tribunals	188 - 191	44

READEX FICHE

CONTENTS (continued)

Annexes

Page

I. STATISTICS ON THE OPERATIONS OF THE FUND FOR THE YEAR ENDED 31 DECEMBER 1989 46

Table 1. Number of participants 46

Table 2. Benefits awarded to participants or their beneficiaries 47

Table 3. Analysis of periodic benefits 48

II. AUDIT OPINION, FINANCIAL STATEMENTS AND SCHEDULES FOR THE YEAR ENDED 31 DECEMBER 1989 49

A. Audit opinion 49

B. Notes on the financial statements 50

Statement I. Assets and liabilities 52

Statement II. Source and application of funds 53

Schedule 1. Administrative expenses 55

Schedule 2. Summary statement of investments 56

Schedule 3. Comparison of cost value and market value of investments 57

Schedule 4. Summary of outstanding tax refunds 58

III. REPORT OF THE BOARD OF AUDITORS 59

IV. PENSIONABLE REMUNERATION, PENSIONS AND NET REMUNERATION OF UNGRADED OFFICIALS 68

A. Pensionable remuneration and net remuneration of ungraded officials 68

Table 1. Annual pensionable remuneration of ungraded officials 68

Table 2. Annual net remuneration (at dependant rate) of ungraded officials as at 1 June 1990 70

B. Text of amendments considered but not acted upon by the Board to articles 54 and 28 of the Regulations of the Fund 73

V. PENSION ADJUSTMENT SYSTEM 75

Table 1. Countries where the interim measure is applicable, with the corresponding "floor" ratios 75

CONTENTS (continued)

Page

Table 2. Description of the "Washington Formula" and the modifications thereof 76

Table 3. Initial local currency pensions of officials at P-4, step XII, with 20 years of contributory service on 1 January of the years 1979 to 1990 77

VI. MEMBER ORGANIZATIONS OF THE FUND 78

VII. ATTENDANCE AT THE THREE SESSIONS OF THE BOARD IN 1990 79

VIII. MEMBERSHIP OF THE STANDING COMMITTEE 85

IX. MEMBERSHIP OF THE COMMITTEE OF ACTUARIES 87

X. RECOMMENDATION TO THE GENERAL ASSEMBLY FOR CHANGES IN THE PENSION ADJUSTMENT SYSTEM 88

XI. DRAFT RESOLUTION 89

ABBREVIATIONS

CCAQ	Consultative Committee on Administrative Questions
CCISUA	Co-ordinating Committee for Independent Staff Unions and Associations of the United Nations System
EPPO	European and Mediterranean Plant Protection Organization
FAFICS	Federation of Associations of Former International Civil Servants
FAO	Food and Agriculture Organization of the United Nations
FICSA	Federation of International Civil Servants' Associations
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
ICCROM	International Centre for the Study of the Preservation and the Restoration of Cultural Property
ICITO/GATT	Interim Commission for the International Trade Organization/General Agreement on Tariffs and Trade
ICSC	International Civil Service Commission
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
IMO	International Maritime Organization
ITU	International Telecommunication Union
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organization
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization
WTO	World Tourism Organization

I. INTRODUCTION

1. The United Nations Joint Staff Pension Fund was established in 1949, by a resolution of the General Assembly, to provide retirement, death, disability and related benefits for staff upon cessation of their services with the United Nations, under Regulations that, since then, have been amended at various times.

2. The Fund is administered through the United Nations Joint Staff Pension Board, which consists of 33 members, representing the member organizations that are listed in annex VI below. One third of the Board members are chosen by the Assembly and the corresponding bodies of the other member organizations, one third by the executive heads and one third by the participants. The Board reports annually to the Assembly on the operations of the Fund and on the investment of its assets. When necessary, it recommends amendments to the Regulations which govern, inter alia, the rates of contribution by the participants (currently 7.9 per cent of their pensionable remuneration) and by the organizations (currently 15.8 per cent), eligibility for participation and the benefits to which participants and their dependants may become entitled. Expenses incurred by the Board in the administration of the Fund - principally the cost of its central secretariat at United Nations Headquarters in New York and the expenses of managing its investments - are met by the Fund.

3. The present report is submitted by the Board following its sessions this year: the thirty-ninth session (special), held from 21 to 23 February 1990 at the headquarters of the Food and Agriculture Organization of the United Nations (FAO) in Rome; the fortieth session, held from 20 to 29 June 1990, at the headquarters of the International Maritime Organization (IMO) in London, and the forty-first session (special), held from 29 to 31 August 1990 at the headquarters of the Interim Commission for the International Trade Organization/General Agreement on Tariffs and Trade (ICITO/GATT) at Geneva. The members, alternate members and representatives accredited to those sessions and their attendance at each session are listed in annex VII.

4. Section II below contains a summary of the operations of the Fund during the year ended 31 December 1989. Section III contains an account of matters considered by the Board, including recommendations for action by the General Assembly. A draft resolution to give effect to those recommendations is contained in annex XI.

5. The major items dealt with by the Board were: (a) the comprehensive review of the methodology for the determination of the scale of pensionable remuneration of staff in the Professional and higher categories, which the General Assembly, in its resolution 41/208 of 11 December 1986, had requested the International Civil Service Commission (ICSC) to undertake, in full co-operation with the Board and with recommendations to be submitted to the Assembly at its forty-fifth session (1990); (b) the arrangements for a comprehensive review of the methodology for the determination of the pensionable remuneration and consequent pensions of staff in the General Service and other locally recruited categories, to be carried out in 1991 by ICSC, in full co-operation with the Board; (c) a review of the operation of the pension adjustment system; and (d) the methodology and actuarial assumptions to be used in the valuation of the Fund as at 31 December 1990.

6. The Board also examined the management of the investments of the Fund, the financial statements and schedules for the year ended 31 December 1989, and a

progress report on the efforts to improve the administrative and operational capacities of the Fund. Other matters considered by the Board were the interest rates for calculating the lump-sum commutation of benefits, entitlements to survivors' benefits from the Fund for spouses and former spouses, and two recent judgements of the Administrative Tribunal of the International Labour Organisation (ILO) that affect the pension entitlements of staff of that organization.

7. The Board, in accordance with article 4 of the Regulations, appointed a Standing Committee to act on behalf of the Board when it is not in session. The membership of the Standing Committee is given in annex VIII.

8. The membership of the Committee of Actuaries, established under article 9 of the Regulations, is given in annex IX.

II. SUMMARY OF THE OPERATIONS OF THE FUND FOR THE YEAR ENDED 31 DECEMBER 1989

9. During the year, the number of participants in the Fund increased from 54,006 to 56,222. On 31 December 1989, there were 29,566 periodic benefits in award: 9,888 retirement benefits, 5,024 early retirement benefits, 5,232 deferred retirement benefits, 3,775 widows' and widowers' benefits, 5,019 children's benefits, 581 disability benefits and 47 secondary dependants' benefits. In the course of the year, 3,020 lump-sum withdrawal and other settlements were paid. A breakdown by member organization of participants and of benefits awarded will be found in annex I.

10. During the same period, the principal of the Fund increased from $6,810,774,123 to $7,579,591,411 (see annex II, statement I).

11. The investment income of the Fund during the year amounted to $735,093,188, comprising $457,822,273 in interest and dividends and $277,270,915 in net profit on sales of investments. After deduction of investment management costs amounting to $8,787,091, net investment income was $726,306,097. A summary of the investments as at 31 December 1989, and a comparison of their cost and market values, will be found in annex II, schedules 2 and 3.

III. MATTERS CONSIDERED BY THE BOARD, INCLUDING RECOMMENDATIONS TO THE GENERAL ASSEMBLY

A. Actuarial matters

1. Methodology and assumptions for the actuarial valuation of the Fund as at 31 December 1990

12. The Board examined and approved the actuarial assumptions proposed by the Committee of Actuaries for use in the actuarial valuation to be prepared as at 31 December 1990. In so doing, it noted that actuarial assumptions were intended to reflect the overall effect of events expected to occur over a very long period of time.

13. The Board considered each of the economic assumptions, based on both the long-term and short-term experience, and taking into account present economic conditions. It agreed with the Committee of Actuaries that the "regular" economic assumptions should continue to be: a rate of increase in pensionable remuneration of 6.5 per cent a year (in addition to static increases); a nominal rate of interest (or expected rate of return on investments) of 9 per cent a year; and cost-of-living increases of benefits in award of 6 per cent a year. The real rate of return under these assumptions is 3 per cent (investment rate of return minus price increase). The Board also agreed that, as in the recent past, it would be useful to have valuations based on economic assumptions of 6.5/10/6 and 6.5/8/6, that is, real rates of return of 4 per cent and 2 per cent, respectively. From the valuation results using these three different rates of return, interpolations could be made to estimate the results for in-between rates of return, such as 2.5 or 3.5 per cent.

14. With respect to the demographic assumptions, the Board recalled that the rates of withdrawal, of death in service, of disability, of early retirement and of retirement had been revised for the valuation prepared as at 31 December 1988. From its analysis of the actual experience, the Committee of Actuaries concluded and the Board agreed that the new assumptions appeared satisfactory and that therefore no changes should be made in the forthcoming valuation.

15. In view of its repeatedly expressed concern about the high incidence of early retirement, the Committee of Actuaries examined carefully the most recent experience. It noted that in 1989 the number of early retirements had decreased to about 87 per cent of the annual average number of such retirements during the two-year period 1987-1988.

16. The rates of retirement currently assumed for those whose normal retirement age is 60 will continue to be used in the next valuation. For participants entering the Fund on or after 1 January 1990, whose normal retirement age is 62, the rates used last year in the special calculations for the study of measures to restore the actuarial balance of the Fund will be used. These rates will be continuously monitored to determine the effects, if any, of the higher normal retirement age for new participants on the age at separation of other participants, i.e., its effect on the policies of the organizations as regards their mandatory age of separation.

17. With respect to mortality after retirement, the Committee reviewed the experience for men and women entitled to retirement, early retirement, deferred retirement and disability benefits, as well as for widows and widowers. The mortality tables in use for all categories were deemed appropriate for continued use, except those for non-disabled male beneficiaries.

18. For each of the last three biennia, the mortality ratios for non-disabled male beneficiaries showed increasingly fewer deaths than assumed in the table applied since the 31 December 1984 valuation. In order to reflect the improvement in current mortality, the Committee recommended and the Board agreed that the rates of male mortality after retirement should be decreased for the next valuation. Several members of the Board would have preferred to defer any change, pending examination of the experience over a longer period. The Consulting Actuary has estimated that this change would increase the required rate of contribution by 0.25 per cent of pensionable remuneration.

19. The Committee of Actuaries reviewed the pattern of growth in the participant population so as to arrive at the assumptions which might be used for the next valuation. It noted that, for several years through 1988, there had been decreases in the number of participants in the Professional and higher categories and in the rate of growth of the number of participants in the General Service and other locally recruited categories. However, in 1989, the number of participants had increased over the previous year by 2,216, from 54,006 to 56,222, or by 4.1 per cent; the number of separations had decreased by 880, from 5,254 to 4,374. Of the additional participants, 1,728, or 78 per cent, were in the United Nations family, while 488, or 22 per cent, were in the other member organizations. The breakdown by category was as follows: 483, or 22 per cent, were staff in the Professional and higher categories and 1,733, or 78 per cent, were staff in the General Service and other locally recruited categories. A significant part of the increase was due to the staffing of the Namibia mission, the United Nations Transition Assistance Group (UNTAG) and of several other peace-keeping operations (the United Nations Iran-Iraq Military Observer Group, the United Nations Observer Mission to verify the electoral process in Nicaragua, the United Nations Observer Group in Central America, etc.). The Committee of Actuaries concluded and the Board agreed that the population growth in 1989 was most likely a temporary phenomenon and therefore was not taken as indicating a trend.

20. In view of the staffing policies pursued by some of the member organizations, the actuarial valuation prepared as at 31 December 1988 used the assumption of zero growth for five years, followed by modest growth for 15 years of 0.5 per cent and 1 per cent for the Professional and General Service staff, respectively, and zero growth thereafter. The Board agreed with the Committee that the 31 December 1990 valuation should be based on population growth assumptions consistent with those used in the previous valuation. Accordingly, the assumptions in the "regular" valuation will be zero growth for three years, followed by growth for 17 years of 0.5 and 1 per cent for Professional and General Service staff, respectively, and zero growth thereafter. In order to assess the cost implications of different growth patterns, the Board also agreed that a separate valuation should be made on the basis of growth for the first 20 years of 0.5 per cent and 1 per cent for Professional and General Service staff, respectively, followed by zero growth thereafter.

21. During the discussion of the demographic assumptions, several members of the Board noted that a growing number of participants had more than 35 years of

14

service, mostly in the General Service category, and continued to contribute to the Fund without accruing additional years of creditable contributory service because of the current maximum of 35 years. The Board agreed that a study should be carried out of the actuarial implications of extending the maximum number of years of creditable contributory service, taking into account (a) the different rates of accumulation applicable to participants who entered the Fund on or after 1 January 1983 and before that date and (b) the differences in the normal age of retirement, depending on whether participants entered the Fund on or after 1 January 1990 or before.

22. The conditions of eligibility for participation and exclusions from participation in the Fund were also discussed. The Board agreed that there was no basis for a re-consideration at this time of a reduction of the eligibility period, as the matter had been thoroughly considered in 1989 as part of the review of possible measures to restore the actuarial balance of the Fund, when it had not proved possible to reach agreement. The Board noted that the Consultative Committee on Administrative Questions (CCAQ) was looking into the appropriateness of the existing contractual arrangements for staff employed on projects. That study might provide data on the extent to which special service agreements or other contractual arrangements are used, which exclude or prevent individuals from participating in the Fund. The Board therefore decided not to pursue a change of the eligibility period, pending the outcome of the CCAQ study.

2. Membership of the Committee of Actuaries

23. The Committee of Actuaries consists of five members, one from each of the five geographical regions of the United Nations, appointed in accordance with article 9 of the Regulations by the Secretary-General, on the recommendation of the Board.

24. Under the arrangements adopted by the Board in 1986 to stagger the membership of the Committee, the terms of three of the members are scheduled to expire on 31 December 1990:

Mr. E. M. Chetyrkin (USSR) - Region III (Eastern European States)
Mr. H. Pérez Montas (Dominican Republic) - Region IV (Latin American States)
Mr. K. Takeuchi (Japan) - Region II (Asian States)

25. The Board decided that the term of appointment for the members of the Committee should be three years, as had been the case prior to 1986. It then recommended, and the Secretary-General approved, the reappointment of Mr. E. M. Chetyrkin, Mr. H. Pérez Montas and Mr. K. Takeuchi for three years, from 1 January 1991 to 31 December 1993.

B. Investments of the Fund

1. Management of the investments

26. The Board reviewed the investments of the Fund on the basis of a report and accompanying statistical data presented by the representative of the Secretary-General. The report described the prevailing economic and financial market conditions and provided information on the investment returns during the year ended 31 March 1990; in addition, it included an analysis of developments in the 1980s (1 April 1980 to 31 March 1990).

Investments of the Fund during the year ended 31 March 1990

27. As at 31 March 1990, the market value of the assets of the Fund was $8,558 million, $926 million more than a year earlier. The investment return for the year was 11.56 per cent; the "real" or inflation-adjusted return was 6.03 per cent. The investment return was calculated by using the standard method for such calculations, which included income from interest and dividend payments, realized net profits and unrealized profits and losses reflected in changes in the market value. The annual returns in the past five years were as follows:

Year ended 31 March	Percentage return
1990	11.56
1989	5.90
1988	3.10
1987	24.69
1986	41.52

28. It was again emphasized that short-term results have little meaning in the context of the long-term investment strategy of the Fund, as they were largely influenced by the volatility of the securities markets. The management of the Fund is geared to maintaining a careful balance between risk and reward expectations over the medium to long term, instead of taking the risk inherent in seeking high short-term returns. These considerations are more pertinent today than ever, in the light of the recent economic and market environment.

29. The cumulative annualized total returns for the last 5, 10, 15, 20 and 25 years were 16.54 per cent, 14.55 per cent, 11.82 per cent, 9.95 per cent and 8.61 per cent, respectively. Over the 30-year period for which data is available, the cumulative annualized total rate of return was 8.46 per cent, representing a yearly inflation-adjusted or "real" rate of return of 3.25 per cent.

30. The defensive strategy introduced in 1985 was continued during the period under review. The Fund's investments in equities were reduced from 42 per cent to 40 per cent of its total assets as at the end of March 1990; investments in real estate remained unchanged at 12 per cent; investments in bonds were increased from 34 per cent to 39 per cent; and short-term holdings declined from 12 per cent to 9 per cent. Within the guideline ranges established by the Secretary-General on the recommendation of the Investments Committee, the composition of the portfolio was changed continually, reflecting the judgement of the Investments Committee, the staff and the advisers with regard to economic, market and currency trends. All

investments, at the time of purchase, had to meet the four criteria of safety, profitability, liquidity and convertibility, criteria which have been endorsed by the General Assembly.

31. The structure of the portfolio was widely diversified to reduce risk and to improve returns over the long term. The Fund is unique among major pension funds in its commitment to global investment. Funds were invested in 30 different currencies. As at 31 March 1990, $4,482 million, or 52 per cent of the Fund's investments, were in currencies other than the United States dollar. The Fund was invested in 43 countries, including 20 developing countries.

32. Investments in developing countries were reviewed by the Board, bearing in mind the relevant resolutions adopted by the General Assembly. Direct and indirect investments in developing countries amounted to $928 million at cost as of 31 March 1990, an increase of about 10 per cent since April 1989. During the year ended 31 March 1990, the market value of the development-related assets rose to $1,067 million, an increase of about 10 per cent over the previous year. Development-related investments accounted for about 12 per cent of the Fund's assets at book value; about 54 per cent of these holdings were denominated in currencies other than the United States dollar. Approximately 75 per cent of the development-related investments have been made through international and regional development institutions, with the remainder consisting of direct investments in developing countries.

Investment developments during the 1980s

33. The 1980s (1 April 1980 to 31 March 1990) was a period of very rapid growth for the Fund, from $1,875 million to $8,558 million, or by 356 per cent. Diversification by currency and investment market protected the Fund from situations where a decline occurred in a market in which the bulk of the Fund's resources had been invested. Similarly, as prices of equities and bonds do not always move in unison, diversification by nature of the instrument (equities vs. bonds, for example) cushioned the adverse effect of a decline in the prices of a particular type of instrument.

34. Over the last 10 years the composition of the Fund's portfolio underwent considerable change, in response to the changing conditions in the various markets in which the Fund has investments. Equities accounted for between a high of 59 per cent of all investments as at 31 March 1986, and a low of 40 per cent as at 31 March 1990. The highest proportion of fixed-interest securities was 39 per cent, reported for 31 March 1983, 1984, 1985 and, again, 1990. Bonds accounted for at least 30 per cent of the total investment at all times except on 31 March 1987. The share of real-estate-related securities doubled from 6 per cent as at 31 March 1980 to 12 per cent at the end of the decade. Short-term investments (which include bonds maturing in one year or less and deposits held while waiting for investment opportunities) fluctuated widely: they were low during the period of rapid market appreciation between 1981 and 1986 (when they averaged 3.5 per cent of total investments), and high (12 per cent) in 1987-1989. The share of the short-term investments as at 31 March 1990 (9 per cent) was very close to that at 31 March 1980 (8 per cent).

35. The return by type of investment is shown in the table below. The considerable variations in the rate of return of investments outside the United States as between the first and the second half of the decade were due in part to

exchange-rate fluctuations. The strength of the United States dollar in 1981-1985 depressed the rate of return in dollar terms of the securities outside the United States; conversely, the weakening of the dollar in 1986-1990 produced a higher rate of return in dollar terms for the securities in question. These changes illustrate both the advantages and the cost of currency diversification.

Total Fund: annual rates of return based on market value in United States dollars (periods ending on 31 March of the year indicated)

	1980-1985	1986-1990 (Percentage)	1980-1990
Equities			
United States	16.02	14.68	15.35
Outside United States	11.34	23.74	17.38
Total	14.22	18.18	16.18
Bonds			
United States	16.04	14.42	15.23
Outside United States	5.37	18.45	11.72
Total	11.13	16.70	13.88
Real-estate related securities	13.17	10.61	11.88
Short-term investments	12.52	9.33	10.91
Total Fund	12.61	16.54	14.55

36. The table below shows the changes in the proportions of the Fund's investments in major currencies during the 1980s.

Currency diversification (percentages, as at 31 March of each year)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
United States dollar	58	60	60	62	62	62	60	50	49	50	48
Yen	5	10	12	11	13	12	15	13	11	13	10
Pound sterling	5	4	4	4	4	4	4	8	9	6	5
Deutsche mark	10	8	8	8	7	7	6	7	6	6	5
Netherlands guilder	3	2	3	4	3	2	3	4	4	4	5
Canadian dollar	1	1	1	1	0	1	2	4	6	6	6
French franc	2	2	1	1	2	2	2	3	2	2	5
Swiss franc	8	4	4	4	3	3	2	3	4	3	5
Other	8	9	7	5	6	7	6	8	9	10	11
	100	100	100	100	100	100	100	100	100	100	100

37. Development-related investments increased three-and-a-half times during the 1980s (from $263.5 million as at 31 March 1980 to $927.8 million as at 31 March 1990), reflecting the success of the efforts made in response to requests by the General Assembly. These efforts included missions to developing countries and close contacts with international development institutions. Approximately one quarter of the Fund's development-related investments are in securities issued by individual States or entities in those States, while the balance are invested in securities issued by global and regional development banks that already have the technical capacity for direct investment. Most of these securities are denominated in convertible currencies.

Observations of the Board

38. The Board noted the Secretary-General's continuing efforts to find investment opportunities in developing countries. A mission to a number of African countries was undertaken in September 1989. It was not always possible for the Fund to invest directly in some countries owing to a lack of developed capital markets.

39. The Board also noted the further steps taken during the past year to expand the institutional advisory framework in order to secure both global and a network of local advisory and custodial services. The new arrangements are now embodied in separate contracts for advisory services and for custodial services.

40. The Board expressed its appreciation to the members of the Investments Committee, to the representative of the Secretary-General, to the staff of the Investment Management Service and to the institutional global advisor for their valuable contribution to the management of the investments of the Fund.

2. Investments Committee - membership

41. The Secretary-General, in accordance with article 20 of the Regulations of the Fund, conveyed to the Board the names of the three members, Messrs. J. Guyot, G. Johnston and M. Matsukawa, he intended to propose, after consultation with the Advisory Committee on Administrative and Budgetary Questions (ACABQ), to the General Assembly at its forty-fifth session, for reappointment as members of the Investments Committee. The Board noted the proposal of the Secretary-General.

C. Comprehensive review of the pensionable remuneration and consequent pensions of staff in the Professional and higher categories

1. Introduction

42. In section I of resolution 41/208, the General Assembly:

(a) Approved a scale of pensionable remuneration for staff in the Professional and higher categories, effective 1 April 1987;

(b) Approved the procedure for adjusting the scale in between comprehensive reviews, as recommended by ICSC;

(c) Requested the Commission, in co-operation with the Board, to monitor regularly and to report, as appropriate, to the General Assembly on the pensionable remuneration of such staff and that of the United States federal civil service employees in comparable grades;

(d) Requested the Commission to undertake, in full co-operation with the Board, a further comprehensive review of the methodology for the determination of the scale of pensionable remuneration for such staff, for monitoring the level of the scale and for its adjustment in between comprehensive reviews and to present its recommendations thereon to the General Assembly at its forty-fifth session.

43. In the 1986 review, the Pension Board and the Commission had agreed on the general approach of linking pensions to the net remuneration of officials at the base of the United Nations system (New York), i.e., the concept of income replacement. They had differed, however, on some of the elements of the methodology for determining the scale of pensionable remuneration based on that approach. Specifically, the Board and the Commission submitted different recommendations on whether all or part of the net remuneration in New York should be used to derive pensionable remuneration, on a margin range for pensionable remuneration and on the scale of pensionable remuneration itself.

44. After extensive informal consultations in the Fifth Committee, a compromise scale of pensionable remuneration was developed and adopted by the General Assembly, which reflected a modification of the scale recommended by ICSC to take into account the views of the Board. In paragraph 1 of section I of Assembly resolution 41/208, the Assembly specified the criteria which had been used. Under these criteria, the full net remuneration in New York was used to derive pensionable remuneration, rather than a downward adjustment thereof, according to the cost-of-living differential at the time between New York and Washington, D.C., as had been recommended by the Commission. The General Assembly did not establish a margin range for pensionable remuneration, but rather requested the Commission, in co-operation with the Board, to monitor regularly the evolution of pensionable remuneration in the United Nations and in the comparator service.

45. For the 1990 review, the General Assembly, in section II, paragraph 2, of its resolution 44/199 of 21 December 1989, requested the Commission and the Board (a) to take into account the relevant recommendations of the Commission on the remuneration structure and (b) to study the desirability of establishing a margin range for pensionable remuneration.

46. The Commission and the Board agreed last year on arrangements for the conduct of the review designed to ensure full co-operation at all stages. The General Assembly was informed of these arrangements. 1/ A joint preparatory working group, composed of members of the Commission and of the Board, reviewed a preliminary analysis of the issues involved and developed the documentation considered by the Board and the Commission at their sessions in February and March 1990, respectively.

2. Methodology for the determination of the scale of pensionable remuneration and its subsequent adjustment

47. At its February session, the Board formulated tentative views and conclusions, which were submitted to the Commission, on the methodological issues relating to the determination and subsequent adjustment and monitoring of pensionable remuneration, including the question of the desirability of a margin range for pensionable remuneration. These views assumed the retention of the current remuneration structure, as the Commission had not yet met to consider changes in that structure.

48. At its March session, the Commission decided to defer decisions on the remuneration structure until its July session. Therefore, its own tentative decisions on pensionable remuneration issues were also based on the current remuneration structure, which would be reconsidered in the light of any eventual decisions by the Commission on the remuneration structure and of the observations thereon by the Board.

49. At the first stage of their review, the Board and the Commission agreed that, should the current remuneration structure be maintained, the 1986 methodology, based on the concept of income replacement at New York, should continue to be used. The Commission added that the relationship between the amounts of United Nations pensionable remuneration and those of the comparator service should be taken into account. The Commission also concluded that: (a) the United Nations/United States pensionable remuneration margin should be calculated in a manner fully consistent with the calculation of the net remuneration margin, i.e., account should be taken of the New York/Washington D.C. cost-of-living differential; (b) both the United Nations/United States pensionable remuneration margin and the income replacement ratios of pensions to net remuneration in the two services should be reported annually to the General Assembly; (c) the current interim adjustment procedure, which is consistent with the methodology for the determination of pensionable remuneration, should be continued; and (d) a margin range for pensionable remuneration of 110 or 120 should be established (which is the range applicable to net remuneration).

50. The Board, on the other hand, did not reach a consensus on the need for or desirability of a margin range for pensionable remuneration. It agreed only that if there was to be annual reporting of a United Nations/United States pensionable remuneration margin - in addition to the reporting of income replacement ratios of pension to net remuneration in the two services - and if there was to be a margin range, the method of calculating the margin should be consistent with that used for net remuneration.

51. At the June session of the Board, some members continued to oppose the establishment of a margin range, believing that it would introduce unnecessary complications and difficulties into the system, especially if it were used to control automatically the level of pensionable remuneration (as was done in the case of net remuneration), without regard to the income replacement ratios. In their view, the margin range for pensionable remuneration was, at best, unnecessary since pensionable remuneration was directly derived from the net remuneration and the latter was already controlled by a margin range and, at worst, such a range could conflict with, or serve to distract from, the fundamental income replacement criterion. They preferred monitoring the evolution of pensionable remuneration

through the annual reporting to the General Assembly of pensionable remuneration levels in the United Nations and in the United States federal civil service and of the corresponding income replacement ratios in the two services. Recommendations for action for the consideration of the Assembly based thereon could then be made when necessary.

52. Other members of the Board were of the view that the position of the Commission on a margin range should be accepted, on the understanding that the pensionable remuneration margin would be calculated in the same manner as the net remuneration margin and that decisions on the interim adjustment procedure would remain with the General Assembly.

53. The Board agreed to discuss the issue further at its special session in August, which was to be held in order to resolve differences on issues related to the operation of the pension adjustment system, in the light of the decisions taken by the Commission at its July/August session on the remuneration structure, on the new scale of assessment and on the increases in the New York net remuneration and in pensionable remuneration expected to become due in October/November 1990.

54. After considering the recommendations of the Commission to the General Assembly (contained in para. 38 of chap. III of the Commission's report), 2/ the Board at its special session:

(a) Reaffirmed the position it took at its February and June session in support of the continuation of the 1986 methodology and of the current interim adjustment procedure which is consistent with that methodology;

(b) Took note of the scale of staff assessment recommended by the Commission for use in the determination of the scale of pensionable remuneration;

(c) Concurred with the recommendation of the Commission as regards the scale of pensionable remuneration;

(d) Took note of the recommendation of the Commission to establish a pensionable remuneration margin range of 110 to 120 and of the procedures it recommended for the calculation and annual reporting to the General Assembly of the United Nations/United States pensionable remuneration margin and of the income replacement ratios in the two services.

55. Several participants' representatives expressed reservations as to the methodology for deriving pensionable remuneration from the net remuneration, the interim adjustment procedure and the methodology used to arrive at the scale of staff assessment. Several members of the Board stated that a margin range for pensionable remuneration, was unnecessary as pensionable remuneration was derived from net remuneration which was already subject to a margin range. In their view, a pensionable remuneration margin range could conflict with, or detract from, the basic tenet of the 1986 methodology, which is that a comparison of the income replacement ratios in the United Nations system and in the comparator service should serve as the primary criterion for determining and assessing the level of pensionable remuneration. One member expressed the view that there should be no margin, noting that suggestions had been advanced that there might be a margin range for the income replacement ratios. The participants' representatives suggested that, while the United Nations/United States pensionable remuneration margin should normally remain within the margin range recommended by the

Commission, such a limitation should not apply if United Nations income replacement ratios fell below those in the comparator service by more than 3 per cent. Some members of the General Assembly disagreed with the suggestion that precedence should be given to income replacement ratios over the United Nations/United States pensionable remuneration margin.

3. Monitoring of pensionable remuneration

56. The Board took note of the United Nations/United States pensionable remuneration margin for the period 1 January to 31 December 1990, as calculated by the Commission according to the procedure it recommended, namely, 116.5 and 129.7 with and without the New York/Washington cost-of-living differential, respectively. It also noted that the income replacement ratios, based on the average pensionable remuneration amounts applicable over the period 1 January 1988 to 31 December 1990 were 56 for the United Nations and 58 for the United States federal civil service.

4. Pensionable remuneration of ungraded officials and resulting from longevity steps not covered by article 54 (b) of the Regulations of the Fund

57. It was brought to the attention of the Board and of the Commission that article 54 (b) of the Regulations of the Fund, which defines the pensionable remuneration of participants in the Professional and higher categories and incorporates an appendix containing a scale of pensionable remuneration (subject to an automatic adjustment procedure), does not cover the following:

(a) The pensionable remuneration of officials in ungraded posts (including the executive heads of specialized agencies) and of officials who are not staff members but are participants under Supplementary Article B;

(b) The longevity and/or merit steps granted by some member organizations to their staff, which go beyond the maximum step in the scale of pensionable remuneration and are pensionable.

In addition, the pensionable remuneration of staff in the United Nations Field Service category, who are internationally recruited, is not defined in article 54 (b).

58. At the February session, views differed in the Board, as to whether any or all of the issues arising from these omissions fell within the competence of the Board or the Commission. With some members dissenting, the Board requested the Secretary to provide, for consideration at the Board's June session, information on (a) the levels of pensionable remuneration and net remuneration of the executive heads and of other ungraded officials, as well as corresponding information for other senior officials in the United Nations system, and (b) the cost implications, if any, of the pension arrangements for executive heads and other ungraded officials. The Secretary was also requested to provide further information on the longevity/merit steps granted by some organizations.

(a) Pensionable remuneration of ungraded officials

59. The Executive Secretary of ICSC and the Secretary of the Board made separate requests to the United Nations Legal Counsel for an advisory opinion as to the competence of the respective organs they serve to deal with the issue of the pensionable remuneration of ungraded elected officials. On the basis of the advisory opinion it received, the Commission decided that it would not address this issue as it had neither the statutory authority nor a mandate from the General Assembly to do so (see paras. 46 to 49 of chap. III of the Commission's report).

60. At its June session, the Board noted that the advisory opinion of the United Nations Legal Counsel affirmed its competence to review information on pensionable remuneration and pensions of all participants in the Fund and to make recommendations thereon to the General Assembly. It also reviewed the information on the levels of pensionable remuneration and net remuneration of ungraded officials, and considered possible amendments to (a) article 54 of the Regulations to include definitions of the pensionable remuneration of these officials, and (b) article 28 (d) to extend the ceiling on pensions to all participants.

61. Views differed in the Board on the meaning of the information provided and the action that the Board might be requested to take. Some questioned the appropriateness of the Board extending its terms of reference, through amendments of the Regulations of the Fund, to dealing with officials whose conditions of service were determined by the governing bodies of their respective employing organizations. Others believed that it was within the competence of the Board to ensure that the provisions of the Regulations were applied to all participants, including ungraded officials, in a fair, equitable and logical manner.

62. After an extensive exchange of views, the Board agreed that, before the issue is pursued further, the organizations should be given an opportunity to apprise their governing bodies and executive heads of the information and suggestions contained in the papers submitted to it, in particular of the proposed text of article 54 (d), and to consult their respective legal advisers as to the implications of incorporating into the Regulations of the Fund provisions on matters governed by the legal instruments of the respective organizations.

63. This information, which includes updated information provided by the organizations after the June session of the Board, is presented to the General Assembly in annex IV.

64. The Board agreed further that the organizations should communicate to the Board, prior to its next regular session, their views on the issue, so as to enable the Board to arrive at decisions on possible changes in the Regulations to be recommended to the General Assembly.

65. During the discussions, it was also suggested that the organizations might consider providing pension coverage for their ungraded officials outside the United Nations Joint Staff Pension Fund.

66. At its August session, the Board noted that, while the Commission had decided not to address the pensionable remuneration of ungraded officials, it did review at its July session the conditions of service of staff at the Assistant Secretary-General and Under-Secretary-General levels, including their pension arrangements. As indicated in paragraph 122 of chapter IV of its report, the

Commission considered the possibility of a dual pension system for such officials, with short-term officials being paid a lump-sum benefit upon leaving service while those with full careers would receive a pension benefit as at present. It decided however not to pursue this matter, pending receipt of specific information on the subject.

67. The Board took note of the Commission's preliminary review of the pension arrangements applicable to Assistant Secretaries-General and Under-Secretaries-General and decided to propose to the General Assembly that the Board be fully involved in any review of the pension arrangements of officials at the Assistant Secretary-General and Under-Secretary-General levels.

(b) Longevity and/or merit steps beyond the maximum step of the scale of pensionable remuneration

68. At its June session, the Board reviewed the information it had received on levels of pensionable remuneration resulting from the longevity and/or merit steps granted by WHO (7 steps) and ILO (2 steps), including a note by the WHO Staff Pension Committee. Noting that these steps had been approved by the legislative organs of the two organizations and that ICSC would be reviewing this matter at its July session, the Board decided to defer consideration of this issue, including possible amendment of article 54 of the Regulations, to await the recommendations of ICSC to the legislative bodies concerned and their responses to such recommendations.

69. At its August session, the Board took note of the conclusions of the Commission contained in paragraphs 143 to 163 of chapter IV of its report.

D. Pensionable remuneration and consequent pensions of staff in the General Service and other locally recruited categories - arrangements for the comprehensive review in 1991

70. In 1988 the Standing Committee examined the evolution of the levels of pensionable remuneration and consequent pensions of staff in the General Service and other locally recruited categories (hereafter referred to as General Service category). It concluded that a comprehensive review of the methodology for determining the pensionable remuneration and consequent pensions of such staff should be pursued, in collaboration with other inter-agency bodies responsible for salaries, staff assessment and pensionable remuneration. This conclusion was reported to the General Assembly at its forty-third session. In the report of the Advisory Committee on Administrative and Budgetary Questions, 3/ the view was expressed that, as the primary responsibility for studies of pensionable remuneration rested with ICSC, the Commission should carry out the study, but in full collaboration with the Board.

71. At its session in 1989, the Board undertook a preliminary review of the methodological issues of determining the pensionable remuneration and pensions of such staff and informed ICSC and the General Assembly thereof. ICSC decided to place this matter on its work programme for 1990 and so informed the General Assembly last year.

72. At its special session in February 1990, the Board requested the Commission to make arrangements for the conduct of the review along the lines followed in the comprehensive review of the pensionable remuneration of staff in the Professional and higher categories, including the establishment of a joint preparatory working group to develop the relevant documentation for the initial phases of the review.

73. At its March 1990 session, ICSC concluded that, as it was in the midst of comprehensive reviews of conditions of service of the staff in the Professional and higher categories and of their pensionable remuneration, it could not allocate the necessary time and human resources this year to carry out an in-depth examination of the pensionable remuneration of staff in the General Service category. It therefore decided to place the item on its work programme for 1991, as a priority issue.

74. The Commission agreed to the proposals of the Board for the arrangements for the review. It decided, in view of its own working methods, that the Federation of International Civil Servants' Associations (FICSA) and the Co-ordinating Committee for Independent Staff Unions and Associations of the United Nations system (CCISUA) should be invited to designate one person each to join the Preparatory Working Group and that the arrangements should be as follows:

(a) The comprehensive review would be undertaken as a priority issue in 1991 in close co-operation and consultation with the Board;

(b) The joint Preparatory Working Group would consist of three members of the Commission and six members of the Board, with FICSA and CCISUA each designating one member to join the Working Group;

(c) The task of the Working Group would be to review the preliminary analysis prepared by the secretariats of ICSC and the Board and to develop the documentation for submission to the first meetings in 1991 of the Board and the Commission, respectively;

(d) A delegation designated by the Board would be invited to attend the Commission's July 1991 session, so as to facilitate efforts to arrive at mutually agreed recommendations for submission to the General Assembly.

The Commission indicated that further modalities for the consideration of the matter would be decided by the Commission and the Board after their first sessions in 1991.

75. At its session in June 1990, the Board concurred with these arrangements. It designated its members on the Working Group and decided to hold a special session of the Board from 19 to 22 February 1991, to consider the documentation developed by the Working Group and to formulate views thereon for presentation to the March 1991 session of ICSC.

E. Pension adjustment system

1. Introduction

76. As indicated in paragraph 42 of section C above, the General Assembly at its forty-first session in 1986 adopted a new scale of pensionable remuneration for staff in the Professional and higher categories which entered into effect on 1 April 1987, and scheduled the next comprehensive review for 1990. The scales of pensionable remuneration introduced on 1 January 1985 and 1 April 1987, represented, together, a reduction in pensionable remuneration from the scale in effect on 31 December 1984, ranging from 1.3 per cent at the P-1 level to 24.2 per cent at the Under-Secretary-General level.

77. These reductions, combined with the declining value of the United States dollar, created an anomalous situation in certain countries whereby longer service would yield a diminished pension in local currency terms, resulting from a lower and "frozen" initial dollar pension multiplied by declining 36-month average exchange rates. To remedy this situation, pending the comprehensive review in 1990, the Board recommended and the General Assembly approved an interim floor measure for the determination of the initial local currency pension of participants in the Professional and higher categories. Under this measure, which became effective on 1 January 1988 and which expires on 31 December 1990, a minimum, i.e., "floor", ratio was established, for certain countries, between the initial local currency pension calculated under the pension adjustment system and the initial dollar pension determined in accordance with the Regulations. It ensured that the ratio of the initial local currency pension to the initial dollar pension for new retirees would not be lower than the average ratio applied in respect of participants retiring in 1987. The list of countries where the interim floor measure applies, together with the "floor" ratio for each, is contained in table 1 of annex V to the present report. No separate financing arrangements were made for this interim measure because of its temporary nature. The Consulting Actuary had estimated its actuarial cost at 0.11 per cent of pensionable remuneration, based on the expected rates of retirement.

78. Last year, the Board informed the General Assembly of a proposal considered by the International Telecommunication Union (ITU) - first by its Administrative Council and subsequently by the ITU Plenipotentiary Conference - to establish a pension purchasing power protection scheme for its staff in the Professional and higher categories. That scheme would augment the benefits paid by the United Nations Joint Staff Pension Fund (UNJSPF), whenever the income replacement ratio, i.e., the ratio of pension to net remuneration at a given place of retirement, was less than at New York. The General Assembly, in section IV of resolution 44/199 of 21 December 1989, endorsed the conclusions of the Board that, if the levels of pension payable by the Fund were believed to be inadequate, remedies should be sought in the context of UNJSPF. The Assembly therefore requested that the ITU proposal be studied as one possible long-term approach to the adjustment of pensions in local currency terms. It also requested ITU not to proceed with the implementation of its proposal as that would weaken the United Nations common system.

79. The Board reviewed the evolution of the pension adjustment system and analysed the impact of various modifications of its current provisions, including the ITU proposal, to replace the interim floor measure when it expires at the end of 1990.

2. Background information

80. The evolution of the pension adjustment system can be divided into four stages:

(a) Up to 31 December 1961, there were no arrangements for the adjustment of pensions after award;

(b) Between 1 January 1962 and 31 December 1974, benefits paid to all beneficiaries continued to be expressed in United States dollars only and were adjusted uniformly: by a token amount of one per cent annually in 1962, 1963 and 1964 and, subsequently, according to various indices of average post adjustment movements, and from 1971 to 1974, by additional ad hoc supplements;

(c) Between 1 January 1975 and 31 December 1978, participants could opt for their pension to be denominated in United States dollars and adjusted by the WAPA index (weighted average movement of post adjustment classifications at a number of duty stations) or to be denominated in the currency of their country of residence and adjusted by the local consumer price index (CPI);

(d) Since 1 January 1979, a two-track pension adjustment system has applied under which both an initial base dollar pension and an initial local (i.e., country of residence) currency pension are established and subsequently adjusted by the United States-CPI and the local CPI, respectively, with the higher of the two being paid, as measured on a quarterly basis, subject to:

(i) Since 1 January 1981, the application of cost-of-living differential factors to determine the initial local currency pension to provide greater compensation where cost-of-living levels are substantially higher than at the base (i.e., the "Washington Formula");

(ii) Since 1 January 1985, the application of a limit on the extent to which the adjusted dollar track amount can exceed the adjusted local currency track amount, i.e., the former cannot be greater than 120 per cent of the latter;

(iii) Since 1 January 1987 and until 31 December 1990, the application of an interim floor measure to the determination of the initial local currency pension at certain locations (see para. 77 above).

81. The two-track adjustment system has been reviewed virtually every year since its introduction on 1 January 1979; changes were made effective 1 January 1980, 1981, 1983, 1985, 1988 and 1990, respectively. Its basic purpose is to provide a measure of protection of the value of benefits, as established in dollars under the Regulations, against the effects of inflation and, for beneficiaries residing outside the United States, to ensure that their dollar entitlement translates into adequate amounts in local currency. In determining the degree of protection to be provided, the current and future financial resources of the Fund have to be taken into account on the occasion of each review, as the General Assembly has consistently stipulated that changes in the system should not give rise to increases in the present or future financial liabilities of Member States.

82. At the request of the General Assembly, the Board has regularly monitored the operation of the system and reported on the number and amounts of benefits paid under the two-track system. In its resolution 40/245 of 18 December 1985, the

sb

Assembly requested the Board to consider measures to eliminate or reduce significantly inequalities of benefits payable to participants caused by different dates of separation. The issues connected with the operation of the two-track system and inequalities of benefits caused by different dates of separation, which are interrelated, were reviewed by the Board in 1986 and 1987.

83. As indicated in paragraph 80 (d) above, in 1985, because of the significant rise in the value of the United States dollar during a period of an increasing dollar pension, a "ceiling" or "cap" was placed on the extent to which payments on the dollar track could exceed payments on the local track. In 1987, to deal with the reverse phenomenon, a "floor" was introduced to protect the initial local currency pension from being eroded by the depreciation of the United States dollar.

3. Number of benefits currently being paid under the two-track system

84. As at 1 August 1990, there were 30,183 benefits in award, of which 4,841 were children's benefits. The breakdown of benefits in award, other than children's benefits, is as follows:

	Number	Percentage
(a) Total number of benefits:		
(i) Relating to beneficiaries who have not submitted proof of residence, i.e., have only a dollar pension record;	14 594	57.6
(ii) Relating to beneficiaries who have submitted proof of residence, i.e., have two pension records - a dollar amount and a local currency amount.	10 748	42.4
TOTAL	25 342	100.0
(b) Of the beneficiaries with two-track pension records:		
(i) Paid under local currency track;	8 105	75.4
(ii) Paid under dollar track (below the 20 per cent "cap");	1 056	9.8
(iii) Paid December 1984 dollar amount (guaranteed under transitional measures);	1 117	10.4
(iv) Paid under dollar track and subject to the "cap".	470	4.4
TOTAL	10 748	100.0

85. Of the 8,105 beneficiaries who are currently being paid under the local track, 5,111 relate to former participants in the Professional and higher categories and 2,994 to former participants in the General Service and other locally recruited categories. Most, that is, 6,662, or 82.2 per cent, reside in the following seven countries:

	Total	Professional and above	General Service
Switzerland	2 244	1 269	975
France	1 540	917	623
United Kingdom of Great Britain and Northern Ireland	1 070	880	190
Italy	855	449	406
Canada	282	183	99
Austria	545	295	250
Japan	126	112	14
	6 662	4 105	2 557

86. A separate analysis has been made of the 10,639 benefits (or 42.0 per cent of the current total, excluding children's benefits), which became payable after 31 December 1984, i.e., after the 20 per cent "cap" was introduced (conversions of pre-1985 retirement benefits into survivors' benefits are not included). The results of that analysis are as follows:

	Number	Per cent
(a) Total number of benefits:		
(i) Relating to beneficiaries who have not submitted proof of residence, i.e., have only a dollar pension record;	7 131	67.0
(ii) Relating to beneficiaries who have submitted proof of residence, i.e., have two pension records - a dollar amount and a local currency amount.	3 508	33.0
TOTAL	10 639	100.0

	Number	Per cent
(b) Of the beneficiaries with two-track pension records:		
(i) Paid under local currency track;	3 250	92.6
(ii) Paid under the dollar track (below the 20 per cent "cap");	100	2.9
(iii) Paid basic benefit under the Regulations, it being higher than the local track;	78	2.2
(iv) Paid under the dollar track and subject to the "cap".	80	2.3
TOTAL	3 508	100.0

87. Of the 3,250 beneficiaries paid under the local-currency track, in respect of separations on or after 31 December 1984, 1,960 relate to former staff in the Professional and higher categories and 1,290 to former staff in the General Service and other locally recruited categories. As can be seen, 92.6 per cent of these beneficiaries are currently being paid under the local track, reflecting the decline in the value of the dollar in relation to certain currencies since the end of 1984.

88. Of the 1,960 benefits related to former participants in the Professional and higher categories and paid under the local currency track, 680, or 34.7 per cent, are based on the interim floor measure. The table below provides a breakdown by location:

Location	Paid under local track		Local currency pensions based on interim floor measure	
	Number	Percentage	Number	Percentage
France	487	24.9	166	24.4
Switzerland	369	18.8	140	20.6
United Kingdom of Great Britain and Northern Ireland	222	11.3	55	8.1
Italy	206	10.5	94	13.8
Austria	136	6.9	56	8.2
Canada	71	3.6	-	-
Japan	45	2.3	27	4.0
Sub-total	1 536	78.3	538	79.1
Other	424	21.7	142	20.9
TOTAL	1 960	100.0	680	100.0

4. Replacement of the interim floor measure

89. In approving the interim floor measure, the General Assembly, in section II, paragraph 2, of its resolution 42/222 of 21 December 1987, emphasized "that this measure would apply from 1 January 1988 to 31 December 1990 and would not constitute an aquired right". The Board therefore examined various modifications of the current provisions of the pension adjustment system to replace the interim floor measure. These modifications would affect the determination of the initial local currency pensions of beneficiaries residing outside the United States, and included:

(a) The proposal advanced by the International Telecommunication Union (ITU), described as a pension purchasing power protection scheme, under which the initial local currency pension would be calculated so as to provide the same income replacement ratio, i.e., ratio of pension bore to net remuneration, as the corresponding dollar pension to the net remuneration at the base of the system, New York;

(b) Four possible modifications of the "Washington Formula", which provides adjustments for a portion of the cost-of-living differences at locations with higher post adjustment classifications (i.e., higher net remuneration) than at New York, namely:

Modification A - lowering the threshold for triggering the application of cost-of-living differential factors from four classes of post adjustment above that in New York to two classes, without changing the differential factors themselves and without changing the limitation on the amount of the final average remuneration (FAR) to which the differential factors are applied;

Modification B - same as Modification A, but eliminating the current limitation on the amount of FAR to which the differential factors are applied;

Modification C - same as Modification B, but increasing the cost-of-living differential factors to provide for a full 5 per cent adjustment for each post adjustment class above the threshold;

Modification D - eliminating the threshold and applying a full 5 per cent adjustment for each class of post adjustment above that in New York. (This modification corresponds closely to the ITU proposal.)

The thresholds and cost-of-living differential factors under the current "Washington Formula" and under the various modifications thereof are set out in tabular form in table 2 of annex V to the present report.

90. The Board reviewed the evolution of the annual amounts of the initial and subsequently adjusted pensions (i.e., both the dollar track and the local currency track amounts), since the introduction of the two-track pension adjustment system on 1 January 1979 and the test results of the ITU proposal and the various modifications of the "Washington Formula". The initial dollar and local currency pensions on 1 January of each year beginning in 1979, for an official at P-4, top

step, retiring at age 60 after 20 years of contributory service, and residing in twelve locations, are shown in table 3 in annex V. Also given for each location, in parentheses, is the ratio of the initial local currency pension to the initial dollar pension on the date of separation. In effect, these ratios reflect the consequent conversion factors translating the initial dollar pension under the Regulations into the initial local currency pension. In most cases, these ratios correspond to the 36-month average exchange rates. Where the "Washington Formula" applied, the resulting ratios were higher than the 36-month average exchange rates.

91. Circumstances have changed since the introduction of the interim floor measure in 1988 which established, for certain countries, "floor" ratios between the initial local currency pension and the initial dollar pension. At that time, the pensionable remuneration of staff in the Professional and higher categories had been reduced and "frozen" for a number of years. By the end of 1990, when the interim floor measure expires, there will have been five (or possibly six) increases in pensionable remuneration, resulting in an overall increase of approximately 23.3 (or 29.5) per cent. As a consequence, the application of the "floor" ratios to increasing initial dollar pensions has yielded, in some locations, initial local currency pensions which are higher than those which would result from the ITU proposal as well as from the various modifications of the "Washington Formula", as the income replacement ratios would be higher than at the base of the system, New York. The table below shows the projected situation as at 1 January 1991 for a P-4, step XII, official retiring with 20 years of service in six locations where the floor measure applies. The initial local currency amounts take into account the two latest increases in pensionable remuneration, effective 1 February and 1 July 1990. They are based on the assumptions that a further 5 per cent increase in pensionable remuneration will become effective in November 1990 and that the July 1990 spot exchange rate between the dollar and the local currency of each country will remain unchanged.

92. In proposing the interim floor measure in 1987, the Board acknowledged that "there can be no permanent definition of what would constitute an appropriate relationship at any particular time between the base amount of the United States dollar pension and the LCP (base local currency pension)". 4/ The intention of the proposal was to arrest the decline in the amount of the initial local currency pension, by a measure analagous to that implemented by ICSC to stabilize net remuneration in local currencies, pending the completion of the comprehensive review in 1990 of pensionable remuneration and consequent pensions.

Projected initial local currency pension of a P-4, step XII, official, on 1 January 1991, retiring at age 60 with 25 years of service (Index: "floor" amount = 100)

Base local currency amount

Countries	Current system with floor	Current system without floor	Modification C* of "Washington Formula"	Full income replacement ITU proposal
Austria (S)	543 198 (100)	381 440 (70.2)	423 548 (78.0)	439 284 (80.9)
France (FF)	242 174 (100)	183 325 (75.7)	183 325 (75.7)	195 342 (80.7)
Italy ('000 Lit)	51 393 (100)	40 054 (77.9)	40 054 (77.9)	40 765 (79.3)
Switzerland (SwF)	64 703 (100)	51 007 (78.8)	59 835 (92.5)	61 622 (95.2)
United Kingdom (£)	21 926 (100)	17 746 (80.9)	17 746 (80.9)	18 776 (85.6)
Japan ('000 Y)	6 778 (100)	5 475 (80.8)	6 864 (101.3)	8 078 (119.2)

---

* This modification involved full compensation for post adjustment class differences between the location concerned and New York, which exceeded two classes; thus, there would be compensation for all but 10 per cent of the cost-of-living difference.

93. The Board noted that as part of the comprehensive review of the conditions of service of staff in the Professional and higher categories, ICSC had recommended - and the General Assembly had approved last year - measures modifying the operation of the post adjustment system which, *inter alia*, permitted the elimination, as at 1 July 1990, of the previous measures in effect to stabilize the net remuneration in local currency terms. In the area of pensions, there continues to be a need to ensure reasonable stability in the amounts of the initial local currency pension in relation to the net remuneration in local currency, particularly during periods of significant decline in the value of the dollar *vis-à-vis* certain currencies. As indicated in the table in paragraph 91 above, the elimination of the "floor" ratios, without a modified system or without transitional measures, would lead to a sharp drop in the amounts of the local currency pensions received by participants separating in 1991 and for several years thereafter, until such time as increases in the dollar pensions are sufficient to offset the impact of "conversion" factors lower than the "floor" ratios. The Board therefore considered it necessary to have transitional arrangements for moving from the interim floor measure to another arrangement.

94. At the June session of the Board, views differed on whether there should be a linkage between transitional measures and the consideration of a long-term modification of the adjustment system. Some believed it logical to relate

transitional measures to the arrangements for the long term; others preferred to focus solely on transitional measures at this stage, believing that before agreement could be reached on a long-term modification of the system further studies would be required and the modalities for financing the additional costs would have to be examined.

95. Noting that a transitional measure would be needed even if agreement were reached on any of the long-term modifications examined, since each of them currently yields lower initial local currency pensions than obtained under the interim floor measure (see table in paragraph 91 above), the Board gave priority at its special session in August to resolving differences of views on whether there should be a transitional measure and on what would be a fair and reasonable one. It also continued its consideration of a long-term modification of the pension adjustment system.

5. Transitional measure for application when the interim floor measure expires on 31 December 1990

96. The following approaches to devising a transitional measure were examined:

(a) Gradual phasing out of the "floor" ratios used to convert the initial dollar pension into the initial local currency pension (four variants were examined);

(b) Establishment of a "floor" for the amount of the initial local currency pension, corresponding to the amount the participant would have received if he/she had separated on 31 December 1990, at the age and with the final average remuneration and years of contributory service attained on that date;

(c) Monthly reductions of the amount initially established under (b) above, i.e., a "declining floor" amount, in order to reduce progressively the amount payable under the transitional measure, thereby shortening the period of its application;

(d) (b) above, i.e., the "full floor" amount, but with a time limit on its application.

97. The Board also considered proposals by some of its members to extend, for example, to 31 March 1991, the period of application of the interim floor measure to give participants affected by its elimination sufficient time to consider their options. Several members of the Board supported extending the period of application of the interim "floor" measure until such time as a decision was taken on a long-term modification of the system.

98. The representatives of the General Assembly and of some of the other governing bodies questioned the need for a transitional measure, noting that participants should not have had any expectation of such a measure because General Assembly resolution 42/222 expressly stated that the interim floor measure would expire on 31 December 1990 and that it would not constitute an acquired right. Other members, however, referred to the expectation that the comprehensive review of pensionable remuneration would provide an alternative to the interim floor measure. Moreover, they cautioned that a sharp reduction in the initial local currency pension from one day to the next might lead to legal challenges.

99. The Board agreed that the approach in subparagraph 96 (a) above, i.e., gradual reductions in "floor" ratios, would be difficult to justify for three reasons:

(a) It would yield initial local currency pension amounts which are higher than existing amounts;

(b) Progressively declining "floor" ratios could give rise to demands for transitional arrangements each time there was a change from one rate to another, causing serious conceptual and administrative problems;

(c) Most importantly, as the reason for not applying the "floor" ratios to staff in the General Service and other locally recruited categories was that their pensionable remuneration had not decreased, continued application of "floor" ratios to participants in the Professional and higher categories when their pensionable remuneration and consequent dollar pensions were increasing could be challenged as inequitable and discriminatory.

100. Views differed in the Board as to the adequacy of the approach contained in subparagraph 96 (b) above. Some believed that the "floor" amounts suggested should be adjusted annually according to the cost-of-living adjustment made to pensions in award, so that participants who retire later would have, in real terms, the same initial local currency pension under the "floor" amount guarantee as the pensions received by those retiring earlier. Others pointed out that those who stayed in service longer would continue to receive salary and allowances and that, in any event, it would be difficult to justify an increasing "floor" guarantee for the initial local currency pension.

101. At the June session, a working group of the Board was unable to resolve the differences, but informed the Board that agreement might be possible on the approach in subparagraph 96 (c), namely, monthly percentage reductions in the initial "floor" amount. The Board therefore agreed that such an approach should be examined at a special session in August, on the basis of further information on and analysis of the implications of such a transitional measure.

102. At its August session, the Board examined a detailed analysis of the projected evolution at six locations of the amounts of the initial local currency pensions without the interim floor measure in relation to (a) the amounts on 1 January 1991 that would still be based on the interim floor measure and (b) the amounts under transitional measures based on the "full floor" amount described in subparagraph 96 (b) above and on progressive reductions thereof, i.e., the "declining floor" amounts referred to in subparagraph 96 (c). The amounts of the 1 February 1991 base local currency pensions, calculated without the interim floor measure, would be significantly lower than the amounts payable on 1 January 1991. The percentage reductions involved in the case of officials at the level P-4, step VI, were estimated to be as follows:

Country	Approximate percentage reduction in local currency pension (LCP) February 1991 vs. January 1991
Austria	29
France	23
Italy	21
Switzerland	19
United Kingdom of Great Britain and Northern Ireland	17
Japan	15

103. The time it would take for initial local currency pensions calculated without the current interim floor measure, to overtake the "full floor" amounts and the "declining floor" amounts, i.e., the "crossing" points, would vary from individual to individual. The "crossing" points depend on a number of variables, some relating to the particulars of the individual concerned (i.e., age, final average remuneration (FAR), including impact of step increments and promotions, and length of contributory service, both at the time of the expiration of the interim floor measure, i.e., 31 December 1990, and at the time of separation), while others relate to general developments (exchange rate changes, post adjustment changes *vis-à-vis* those in New York and adjustments of the scale of pensionable remuneration).

104. The "declining floor" amounts were based on monthly reductions of the "full floor" amounts by 0.1, 0.2, 0.3, 0.5 and 1.0 per cent per month, corresponding to annual reduction rates of 1.2, 2.4, 3.7, 6.2 and 12.7 per cent, respectively. The analysis indicated that in order to reduce significantly the time it takes to reach the "crossing" point, the monthly reduction rate under the "declining floor" approach would have to be large. Those who opposed this approach noted that if the purpose of a transitional measure was to avoid reductions in the pension entitlement as a result of continued service, the "declining" floor approach would have the opposite effect as it would provide an inducement for staff to leave earlier rather than to stay in service longer.

105. In order to define the scope of application of any transitional measures and to assess their administrative and financial implications, an estimate was made of the number of participants who might be affected by the expiration of the interim "floor" ratios at the end of 1990.

106. A participant must separate at age 60 or above to qualify for a retirement benefit and, for an early retirement benefit, at age 55 or above, but below age 60. It is estimated that 2,725 participants in the Professional and higher categories with five or more years of contributory service would be aged 55 or above as of 31 December 1990 and therefore qualify for either a retirement or an early retirement benefit if separating on that date. (The interim floor measure does not apply to deferred benefits.) Of these, 2,243 would be less than age 60 and 482 would be age 60 or above. Of the former, if they separated from service on 31 December 1990, 1,824 would have less than 25 years of service and hence would be subject to a 6 per cent reduction in their initial dollar pension for each year their age was less than 60. The lower the age of the participant on 31 December 1990, the more likely it is that longer service would yield a higher

initial local currency pension, even under the current system without the interim floor measure.

107. The Board considered that problem situations could arise for the 482 participants aged 60 or above, and for the 419 participants between ages 55 and 60, with 25 or more years of contributory service, who intend to reside in countries where the "floor" ratios currently apply. Based on the country distributions of early retirement and retirement benefits paid since 1984, it is estimated that 288 of these cases would involve retirees residing outside the United States, and that 80 per cent of them or some 231, would retire to locations where the interim floor measure applies.

108. The Board also considered the following estimates of actuarial costs provided by the Consulting Actuary and the Rapporteur of the Committee of Actuaries:

(a) Cessation of the interim floor measure as at 31 December 1990, without transitional arrangements: assuming that all of the estimated number of participants (231) who would be adversely affected would retire on 31 December 1990, the cost would be approximately 0.10 per cent of pensionable remuneration;

(b) Cessation of interim "floor" measure as at 31 December 1990, with the transitional measure involving the "full floor" amount protection, but with a two-year time limit on its application: assuming that the participants concerned would retire according to the expected pattern between 1 January 1991 and 31 December 1992 and that those remaining from the estimated total of 231 participants concerned would retire on 31 December 1992, the cost would be approximately 0.07 per cent of pensionable remuneration;

(c) (b) above, but without a time limit: assuming that all of the estimated affected participants would retire in the normal expected pattern in the future, the cost would be approximately 0.06 per cent of pensionable remuneration.

(The above estimates were based on the assumption that the affected participants would represent a normal "cross-section" for their age and service groups.)

109. At the August session, the representatives of executive heads supported the transitional measure described in subparagraph 96 (b) above, namely, the "full floor" amount. They also urged that the current floor measure be continued until 31 March 1991, to conform to the position taken by the Board in 1986 that changes in the pension system should become effective as of 1 April of the year following the General Assembly decision.

110. The participants' representatives indicated that they were prepared to compromise and accept the transitional measure in subparagraph 96 (b) above, on the understanding that a long-term modification of the system would be developed. They also urged that the current interim floor measure should be extended to 31 March 1991.

111. Several representatives of the General Assembly noted that the circumstances which had led to the introduction of the interim floor measure no longer existed. They therefore could not agree to its extension.

112. Views differed among the representatives of governing bodies on the need for transitional measures. Some were prepared to accept the transitional measure in subparagraph 96 (b) above, while others believed that that measure could only be accepted if limitations were placed on either the amounts involved or on the duration of its application. Several members representing the General Assembly reiterated their view that there was no need for any transitional measures.

113. A number of members emphasized that a transitional measure was essential to protect, at the very minimum, the initial local currency pension accrued as at 31 December 1990 by those participants who on that date would be eligible to opt for a retirement or early retirement benefit. In their view, it would be anomalous and legally indefensible to diminish the entitlements accrued as at 31 December 1990 of participants who choose to remain in service beyond that date; longer service should not result in lower pensions.

114. Noting that the interim floor measure would expire on 31 December 1990 as stipulated in General Assembly resolution 42/222, the Board, after extensive negotiations, agreed by consensus:

(a) That there was need for a transitional measure which would be applicable to a specific group of participants (see paras. 106 and 107 above) for a limited period;

(b) That the measure should, in no case, be construed as constituting a precedent, nor give rise to an expectation of extension for a further period, whether or not agreement was reached on a longer-term modification of the pension adjustment system;

(c) That the measure should therefore not constitute an acquired right for participants who either retire or choose early retirement after the expiration date of the transitional measure;

(d) On this basis, to recommend to the General Assembly the establishment of personal "floor" amounts for the initial local currency pensions of participants in the Professional and higher categories, corresponding to the initial local currency pensions they would have received had they separated on 31 December 1990, on the understanding that such "floor" amounts would be applicable only to participants qualified for a retirement or early retirement benefit on 31 December 1990 who separate on or before 31 March 1992.

This measure, if approved by the General Assembly, would be incorporated into the pension adjustment system as described in annex X.

115. Although not wishing to be disassociated from the consensus, the ITU Staff Pension Committee had strong reservations about the qualification "whether or not agreement was reached on a longer-term modification of the pension adjustment system" contained in subparagraph 114 (b) above. In its view, that qualification was in contradiction with the position taken by the ITU Governing Body when it urged that a lasting and equitable solution to the pension adjustment problem be found (see para. 124 below). The consensus recommendation related merely to the phasing-out of the present "floor" protection and did not address the adequacy of the levels of pensions payable in various countries.

6. Longer-term modification of the pension adjustment system

116. Taking into account the requirement that the Fund be fully funded, the Board recognized that cost implications were an important consideration in arriving at conclusions as to what, and the pace at which, long-term modifications of the system should be pursued. The Consulting Actuary advised that traditional actuarial methods of costing changes in a pension system did not lend themselves to costing modifications which involved increasing degrees of disconnection between the universal level of pensionable remuneration and the initial pension, in cases of retirements to high-cost countries. If the initial pension is linked more to the net remuneration in local currency than to the universal dollar pensionable remuneration, the future evolution of inflation and exchange rates *vis-à-vis* the United States dollar in these countries enters into the costing exercise. Assumptions as to the latter cannot be made with any reasonable level of confidence.

117. In the circumstances, the additional liabilities that might arise from the various modifications were assessed by calculating the ratios, on a given date, of (a) the amount of the initial local currency pension under each modification to (b) the amount under the current system without the interim floor measure, and by multiplying those ratios by the proportions of the total participants in the Professional and higher categories likely to retire in each of the countries where amount (a) was greater than amount (b). On this basis, the Consulting Actuary estimated the percentage increases required in the overall contribution rate to the Fund for each modification under the additional liability patterns on four different dates: 1 January of 1987, 1988, 1989 and 1990, with the four "patterns" being analysed separately as continuing into perpetuity.

118. The percentage increases required over the current contribution rate of 23.7 per cent of pensionable remuneration, assuming that a higher required contribution rate would apply to all participants regardless of category or duty station, ranged from .09 per cent if the 1 January 1987 liability "pattern" was assumed to apply in the future, to 0.53 per cent if the 1 January 1989 or 1 January 1990 "pattern" was used.

119. The Consulting Actuary also provided estimates of the increased contribution rates required in the form of percentages of net remuneration (base salary plus post adjustment) at each of the affected locations, if the cost of the additional liabilities were to be borne only by participants in the Professional and higher categories serving at those locations.

120. The Committee of Actuaries reviewed the estimates prepared by the Consulting Actuary and concurred that, given the nature of the modifications examined, the approach followed in developing cost indicators for each was broadly satisfactory and no alternative approaches were suggested. However, it stressed at the same time that the results were speculative, in the sense that it was difficult to place high confidence in their validity as they involved forecasting future liabilities based on current patterns of exchange-rate relativities and inflation in a number of countries.

121. On the financing of the additional costs, the Committee expressed the view that applying different contribution rates according to the category or place of assignment of a participant, on the basis of assessments of who might or might not benefit from a certain feature of the pension system, would be a significant departure from the current universal principles and practices underlying the

pension system, and could become a source of controversy and contention within the system. For the same reasons, the Committee found unsatisfactory the approach of combining a universal contribution rate with a supplemental rate applicable to certain participants, with the latter being reviewed and adjusted periodically according to developments as regards the evolution of the relationship between the base local currency pensions and the base dollar pensions.

122. Views differed in the Board on what, if any, changes should be recommended to the General Assembly this year. Some members expressed the view that the best long-term solution was the full income replacement approach of the ITU proposal or its equivalent, i.e., Modification D of the "Washington Formula". Others had serious misgivings as to the appropriateness of such an approach, expressing concern that it could give rise to spiralling costs.

123. There was, however, general agreement in the Board that, in examining possible modifications of the system, greater recognition should be given to the cost-of-living differences at locations with higher post adjustment classifications than New York, as well as to the income replacement concept. The Board also agreed that any modification should not result in a reduction in the universal base dollar pension entitlements under the Regulations of the Fund.

124. The Board was informed that the ITU Administrative Council had adopted a resolution at its June session which reiterated its request that the competent bodies in the common system find a lasting and equitable solution as soon as possible on the question of income replacement, with benefits everywhere comparable to those prevailing at the base of the system (New York), and that to this end the ITU proposal should be given due consideration.

125. There was no agreement in the Board on the desirability of, and justification for, the full income replacement approach. The costs of such a change emerged as the paramount concern.

126. The representatives of the executive heads expressed concern about the instability of the current system and considered it essential to pursue a modification of the system urgently. They proposed that a reasonable time-frame be established for introducing changes, such as 1 January 1992 (or 1 April 1992). As the review of pensionable remuneration and pensions of staff in the General Service and other locally recruited categories would take place in 1991 and as a long-term modification of the pension adjustment system would also affect them, it would be appropriate that both be dealt with in the same year.

127. The participants' representative regretted that it had not yet been possible to reach agreement on a long-term modification of the system. They proposed the establishment of an inter-sessional working group to pursue this matter further on a priority basis.

128. The Board agreed that work should begin urgently on the development of a long-term solution for the establishment of the initial local currency pension. To this end, the Board decided to establish a Preparatory Group with the following terms of reference and composition:

(a) The mandate of the Preparatory Group would be to:

(i) Examine the various modifications of the pension adjustment system contained in documents presented to the Board at its sessions in Rome, London and Geneva, as well as other possible modifications;

(ii) Recommend solutions to the Board in 1991;

(b) The Preparatory Group would:

(i) Meet in October/November 1990 in New York;

(ii) Report to the special session of the Board in February 1991 on the progress made;

(iii) Submit a report to the regular session of the Board in July 1991, which would include proposals on recommendations for the Board to make to the General Assembly in 1991;

(c) The Preparatory Group would consist of nine persons, three from each constituent group represented in the Board. The Preparatory Group would, if it deems necessary, co-opt other members/representatives of the Board and, subject to appropriate administrative and financial procedures, make use of the services of external consultants;

(d) The Preparatory Group should give paramount consideration to the need to observe the decisions of the General Assembly reflected in past resolutions concerning the pension adjustment system. In developing the solutions, the Group should consider all possible savings measures, including new approaches to financing.

7. Variations in the pension levels of retirees according to dates of separation

129. The Board noted that there were significant variations in both the dollar track and the local currency track pensions, as adjusted to 1 January 1990, according to different dates of separation. These variations were substantial for the local currency track pensions in some countries, the percentage difference between the highest and lowest amounts ranging from 20.3 per cent in Japan to 73 per cent in France. The Board noted further that such variations were the unavoidable consequences of deliberate decisions taken in the past to change the levels of factors used to calculate pensions, of transitional measures protecting the acquired rights of those in service or in receipt of a benefit at the time of the changes, and of the continuous fluctuations in the exchange rates between the United States dollar and the currencies of other countries where pensioners reside. Nevertheless, while recognizing that the possibilities were limited for cost reasons, a number of members of the Board urged that efforts should be made to minimize these variations.

130. In the absence of agreement on a long-term modification of the pension adjustment system, which might serve as a conceptual basis for action to minimize variations in pension levels according to dates of separation, the Board decided to defer consideration of this issue, until decisions are taken on long-term modifications of the adjustment system with respect to all categories of staff.

42

8. Technical amendment of paragraph 5 (b) (i) in section C of the pension adjustment system

131. Under the "Washington Formula", the cost-of-living differential factors are currently applicable to that portion of the final average remuneration which does not exceed the pensionable remuneration at grade P-2, step XI, on the date of retirement. At the time this provision was introduced, step XI was the highest step for grade P-2. Under the restructured scale of pensionable remuneration, introduced 1 July 1990, an additional step (step XII) was included at the P-2 level, consequential to the new structure of the salary scale approved by the General Assembly last year.

132. The Board therefore recommends that paragraph 5 (b) (i) of section C of the pension adjustment system be amended, retroactive to 1 July 1990, to replace the reference to grade P-2, step XI, in that paragraph with a reference to grade P-2, top step, on the scale of pensionable remuneration in article 54 (b) of the Regulations.

F. Financial statements of the Fund and report of the Board of Auditors

133. The Board examined and approved the financial statements and related data on the operations of the Fund for the year ended 31 December 1989, submitted by the Secretary for inclusion in the annual report of the Board.

134. The Board reiterated its concern about the continuing problem of the refund of taxes due to the Fund from a number of countries (see schedule 4 of annex II). The representative of the Secretary-General for the investments of the Fund informed the Board that concerted efforts continue to be made to secure their refund; however, in some countries these efforts had not yet produced results. In response to suggestions that the Fund should not invest in such countries, the representative of the Secretary-General stated that he would consider the gradual divestment of the Fund's holdings in these countries so as not to endanger the Fund's tax exempt status elsewhere, even though the investment returns were above average in some cases.

135. The Board reaffirmed that, since the assets of the Fund were held in the name of the United Nations, its investment transactions were entitled to exemption from national taxes under the Convention on the Privileges and Immunities of the United Nations.

136. Responding to observations made by the Board of Auditors, the representative of the Secretary-General indicated that an investment manual would be issued soon, containing guidelines for investments in trusts, special country funds and real estate.

137. The Board requested the Secretary to convey to the member organizations its own concern and that of the Board of Auditors concerning the annual and other reports submitted to the Fund and to appeal to them to take steps to improve the quality of the reports and to ensure their timely submission. It also requested the Secretary to keep the Board apprised of developments.

138. The Board took note of the observations by the Board of Auditors on the accounts of the Fund for the year ended 31 December 1989.

G. Administrative expenses

1. Supplementary estimates for the biennium 1990-1991

139. In section VII of resolution 44/199, the General Assembly approved expenses, chargeable to the United Nations Joint Staff Pension Fund, totalling $30,573,400 (net) for the biennium 1990-1991, for the administration of the Fund. This amount comprises $10,259,400 for administrative costs and $20,314,000 for investment costs. A review of the actual expenditures and obligations during the first quarter of 1990 indicated that it was not necessary to propose supplementary estimates at this time.

2. Progress report on improvements in the administrative and operational capacities of the Fund's secretariat

140. The administrative costs in the budget reflected increases proposed by the Board last year to implement some of the recommendations contained in the comprehensive study carried out by outside consultants of the administrative and operational capacities of the Fund's secretariat. The Board considered a progress report by its Secretary on the actions taken or envisaged as regards: (a) changes in the organizational structure and operations of the Fund's secretariat; (b) reorganization and strengthening of the Information Management Systems Section (IMSS); (c) replacement of the current computer-based systems with an integrated state-of-the-art system; (d) conversion of the hard-copy records of the Fund to optical-discs; (e) longer-term efforts to integrate all types of processing equipment, i.e., forecasting specific hardware and software needs and integrating hardware needs with telephone communications, document-imaging equipment, word-processing capabilities and data linkages; (f) expansion of the role of the Geneva office; and (g) improvement of the office accommodations of the Fund's secretariat.

Organizational structure and operations

141. The changes made include the following:

(a) The Operations Co-ordinator was re-designated as Chief of Operations, with overall responsibility for the day-to-day administrative operations of the central secretariat and for providing support to the research and policy development work;

(b) The Participants and Separations Units were merged into a single section, the Pension Services Section. The chiefs of most sections/units were changed by rotating assignments; other staff were also reassigned to new functions. Work assignments in some sections/units were realigned, broadly as recommended by the outside consultants;

(c) The Information Management Systems Section was strengthened by the addition of two posts (P-5, P-4), for which recruitment is under way. Its work was reoriented to include developing a new integrated computer system.

142. Overall, these changes have proved beneficial, but their full import will appear only when the effects of training, new equipment and computer systems, together with improved office accommodations, are realized.

Computer-based systems

143. The Advisory Committee on Administrative and Budgetary Questions requested the Board to present a progress report this year on the project to replace the Fund's current computer systems.

144. A systems analyst has been assigned full time to the project of defining and designing a new integrated system, with the assistance of an outside consultant. Other staff assist, on a part-time basis, in defining needs and objectives in their current fields of work, for example, pay-roll, benefit determination, year-end processing, etc. It is expected that the first two phases of the project, i.e., delineating the requirements and developing the logical design of the system, will be completed by the end of November. The logical design phase will cover the functional components of the system, the data relationships and the processing functions.

145. The next phase will be the physical design of the system, including identification of specific hardware needs. When the system design - logical and physical - has been fully developed and approved, the final phase of programming and implementation will begin. In the course of the development of the new system, it may be necessary to adjust the schedule for each phase, in the light of problems that may arise and the impact of unforeseen events on the work. Contacts are maintained with the United Nations regarding its computer projects, particularly the project to develop an Integrated Management Information System (IMIS). It is hoped that major parts of the new system can be implemented by early 1992.

146. The General Assembly approved resources for retaining an outside contractor to convert hard-copy records to optical discs during the current biennium. Recent technological advances in hardware and software now make it feasible to have a system that not only stores and retrieves images but also integrates images and data within a data-processing application, which can be displayed simultaneously at a work station, and provides telecommunications facilities. These capabilities would significantly reduce the "paper flow". It is therefore desirable to consider all possibilities of integrating the optical-disc-based system with the new computer system. The alternatives would be systems based using either a main-frame computer, a medium-range computer or a network of personal computers. The converted records would have to be fully compatible with whichever system is ultimately decided upon. The conversion project therefore has been delayed until a decision is made on the optical disc-based image system which can best meet the present and future requirements of the Fund, taking into account the United Nations plans as regards optical-disc imaging.

Role of the Geneva office

147. The following areas have been identified for delegation of authority to the Geneva office over both the short and long term: (a) direct input of changes in the records of participants and beneficiaries in Europe, and of changes in their payment instructions; (b) payment of withdrawal settlements, and (c) processing requests by beneficiaries in Europe for payments from the Emergency Fund. The pace at which some or all of these activities can be assumed by the Geneva office

will depend on the development of the necessary infrastructure, including staffing, computer programmes and payment facilities.

Office accommodation

148. The outside consultants had noted that the office space available to the central secretariat was "not conducive to efficiency". As reported to the General Assembly last year, the United Nations has advised the Board that it could not fully accommodate the Fund's additional needs because of space shortage and limited financial resources. It therefore suggested the construction of modular work stations to improve the working environment and to utilize more effectively the limited space available. As the United Nations cannot absorb the costs for such work, the Board recommended and the General Assembly approved a non-recurrent provision of $1,000,000.

149. The Advisory Committee on Administrative and Budgetary Questions stated that, while it shared the concern over the inadequate accommodations for the Fund's secretariat, it was dubious whether the proposals advanced would solve the problem of the long-term accommodation needs of the secretariat. The Committee recommended that an analysis of the Fund's actual space requirements should be undertaken and alternative solutions proposed before a solution was adopted. At the same time, the Committee emphasized that it did not object to the expenditure of $1,000,000 *per se*, but believed that the money would be more wisely spent as part of a long-term, well-defined project.

150. The Board was advised that other solutions would undoubtedly involve substantially greater costs to the Fund, requiring the purchase or rental of office space outside the United Nations complex, with at least two thirds of the total cost to be met by the Fund. Additional costs would have to be added to this, for example, the costs of furniture, communications services, reproduction facilities, etc., which are now either fully or partially met by the United Nations.

Conclusion

151. The Board noted with satisfaction the progress made in the definition and design of a new data-processing system and in the expansion of the role and functions of the Geneva office. The view was expressed that a long-term approach should be taken to the office accommodation problem, possibly involving the acquisition (through net lease or purchase) of real estate in close proximity to the United Nations Headquarters. The Board requested its Secretary to study possible long-term solutions to the problem, with the assistance of an outside consultant as appropriate, as well as the cost implications of a move to another location, both for the Fund and for the United Nations. The study is to be submitted in the first instance to the United Nations Staff Pension Committee for its review and comments. The Board also agreed that, in the mean time, the construction of modular work stations proposed last year, to improve current accommodations should proceed.

H. Emergency Fund

152. The Emergency Fund was initially established by the Board in 1973 from voluntary contributions of member organizations, staff associations and individual contributors to alleviate the distress of recipients of small pensions caused by currency fluctuations and cost-of-living increases. Since the introduction of the pension adjustment system in 1975, it has been used to provide relief in individual cases of proven hardship due to illness, infirmity or similar causes.

153. The General Assembly has authorized the Board to supplement voluntary contributions to the Emergency Fund by up to $200,000 for the 1990-1991 biennium. During the period 1 May 1989 through 30 April 1990, there were 62 disbursements totalling $49,514. Expenditures in the biennium 1988-1989 amounted to $104,077. Total disbursements from 1975 through April 1990 amounted to $505,196.

I. Interest rate applicable to lump-sum commutations of periodic benefits

154. The Board reviewed the interest (discount) rate applicable to lump-sum commutations of periodic benefits. The rate had last been revised in 1985.

1. Background information

155. Under the Regulations, a participant on separation may commute up to one third of his/her retirement or early retirement benefit into an actuarially equivalent lump sum, subject to the following: (a) the lump sum may not be greater than the actuarial equivalent of one third of the benefit that would be payable to a participant retiring at the normal retirement age, on the same date, after 35 years of contributory service, with a final average remuneration equal to the pensionable remuneration at the top step of level P-5; and (b) if the participant's own contributions plus interest are greater than the amount under (a), the lump sum may equal the former amount.

156. The actuarial equivalent of a benefit is the amount that would, together with interest earned at the rate(s) established by the Board in accordance with the Regulations, equal the total of the periodic payments which the participant would receive during his/her expected lifetime, calculated on the basis of actuarial tables.

157. The interest rates currently used to calculate the lump-sum commutations are as follows:

Period of service	Interest rate (per cent)
Prior to 1 January 1979	3.25
1 January 1979 to 31 December 1982	4.0
1 January 1983 to 31 December 1984	4.5
From 1 January 1985	6.5

158. In response to requests from the General Assembly, the Board, with the assistance of the Committee of Actuaries, carried out during the years 1983 to 1986 extensive studies of the level of the interest rate, the method of calculating the lump-sum commutation of benefits, and whether to impose a limit on the amount of the lump-sum commutation. On the occasion of those studies the Board advised the General Assembly that:

(a) The Fund benefits from the lump-sum commutation provision, as cost-of-living adjustments are applicable to periodic benefits but not to lump-sum amounts; if the commutation provision were eliminated, the actuarial imbalance of the Fund would increase by 0.83 per cent of total pensionable remuneration;

(b) For the Fund to make neither an actuarial gain nor an actuarial loss on lump-sum commutations, the interest rate used would have to equal the 3 per cent real rate of return on investments assumed in the actuarial valuation;

(c) An interest rate in excess of 3 per cent yields an actuarial gain to the Fund. The higher the rate, the greater the gain. On the other hand, an unreasonably high rate would lead to fewer participants availing themselves of the commutation option which could be actuarially disadvantageous to the Fund.

159. In 1984, the Board increased the interest rate from 4.5 to 6.5 per cent. In keeping with the practice followed on the occasion of all previous increases, the Board decided that the new interest rate should be applied only to service performed after 31 December 1984, so as to preserve acquired rights.

160. In 1985 and 1986, at the request of the General Assembly, the Board, with the assistance of the Committee of Actuaries, examined the possibility of applying a uniform interest rate for the total period of contributory service, rather than using a composite interest rate calculated as the weighted average of the interest rates in effect during different periods of service. The Committee advised that, as the discount rate had been set higher than the assumed real rate of return in order to produce an actuarial gain, the question of what it should be ceased to be a technical one. Any decision on the level of the interest rate would be the result of a compromise, rather than a scientific determination. In its view, while a uniform rate for all service might be simpler, a rate based on averaging would be seen by the participants as more equitable. The Committee added that if a change were to be made, acquired rights would have to be protected.

161. A working group of the Fifth Committee had been advised in 1985 by the United Nations Legal Counsel that, while there was no acquired right as such to any particular interest rate, or mortality table, or method of calculation, the diminution of a sum of money calculated entirely on the basis of service already performed was prohibited under the doctrine of acquired rights. Furthermore, in his opinion, the application of a higher interest rate to establish the lump sum earned on the basis of completed periods of service, contained elements of retroactivity and was therefore unlikely to be upheld by the United Nations Administrative Tribunal.

162. The Board concluded in both 1985 and 1986 that, for legal and administrative reasons, the practice of changing the discount rate only prospectively and of using composite rates for the purpose of lump-sum calculations should be retained. To meet the concern expressed during the various reviews that senior officials with long service could receive very large lump sums, the Board recommended, and the

Assembly adopted, an amendment to article 28 (g) of the Regulations imposed a ceiling on the amount of the lump sum (see para. 155 above).

2. Evolution of the composite rate

163. As can be seen from the table below, the composite rate is steadily increasing because of the change in the interest rate to 6.5 per cent for service since 1985.

Past and projected future evolution of the composite interest rate
(per cent)

Years of contributory service	Separation on 31 December of			
	1984	1990	1994	1999
15	3.62	4.92	5.73	6.50
20	3.53	4.50	5.15	5.93
25	3.47	4.25	4.77	5.42
30	3.43	4.08	4.52	5.06
35	3.41	3.96	4.34	4.80

164. The Board examined the evolution of certain market interest rates which were related specifically to the payment of annuity benefits. It noted that they had to be viewed in relation to the inflation rates prevailing during each of the periods covered. It is necessary to consider not only the investment potential of assets but also the cost-of-living increases which are included in the liabilities calculated for actuarial valuation purposes. In other words, to determine the true "present value" of a future stream of benefits, account must be taken of the real rate of return, after inflation.

165. The Consulting Actuary has estimated that reducing the 6.5 per cent interest rate in respect of future service to 6, 5.5, 5 or 4.5 per cent would require increases in the contribution rate by 0.10, 0.22, 0.38 and 0.62 per cent of pensionable remuneration, respectively. The Committee of Actuaries, consistent with the views it had expressed in 1986, recommended that the 6.5 per cent interest rate should be continued.

166. In the discussion in the Board, some participants' representatives expressed the view that the interest rate should bear a relationship to the prevailing market interest rates and that the Board, as a technical body, should make decisions only on technical grounds. They believed that the 6.5 per cent rate had been set arbitrarily in 1984, when the market interest rates were at least 25 per cent higher than they are today and that therefore it should now be lowered by about 25 per cent; alternatively, a net yield figure (interest rate minus inflation) should be used which, based on the market rate data, would be in the order of 4 per cent. Others in the Board noted that the interest rate actually applied was not 6.5 per cent, but a composite rate which, depending on the period of the participant's contributory service, was at present in the range of 4 to 5 per cent. They also stressed the significant adverse actuarial impact of lowering the interest rate.

167. In view of the concern expressed by some that no technical basis had been developed for assessing and revising the interest rate, the Board requested that this matter be studied further by its Secretary and by the Committee of Actuaries, taking into account the discussions in the Board. That study is to include an examination of the impact of interest rate changes both on lump-sum commutations and on the actuarial situation of the Fund; it should also make suggestions as to the economic factors that would justify modifications in the interest rate. In the mean time, the Board decided to maintain the present 6.5 per cent rate.

J. Articles 34 and 35 of the Regulations of the Fund - entitlement to survivors' benefits from the Fund for spouses and former spouses

1. Introduction

168. Under the Regulations, upon the death of a participant in service or when entitled to a retirement, early retirement, deferred retirement or disability benefit, the surviving spouse is entitled to a benefit (except if the participant had commuted into a lump sum the prospective spouse's benefit). Subject to minimum provisions, the surviving spouse's benefit is equal to half the benefit to which the participant was or would have been entitled at the time of his or her death. If there is more than one surviving spouse, the benefit is divided among them equally and the share of a spouse who dies or remarries is divided equally among the others.

169. A surviving spouse's benefit becomes payable only if the participant was married to that spouse both at the time of separation from service and at the time of death. Thus, no benefit is due to a divorced spouse, irrespective of whether the divorce took place before or after separation from service. Similarly, no benefit is due if the marriage took place after separation from service.

170. The entitlement to a surviving spouse's benefit ceases on remarriage. Instead, the spouse becomes entitled to a one-time payment equal to twice the annual rate of the discontinued benefit (unless there is another spouse(s) entitled to a survivor's benefit).

171. On a number of occasions since 1978, representations have been made to the Board to provide, in hardship situations, a survivor's benefit to a former spouse. The General Assembly, in several of its resolutions dealing with the reports of the Board, requested the Board to study various aspects of this issue. The Board has not been able to identify any acceptable solutions and has repeatedly deferred the subject from one session to another.

172. The Federation of Associations of Former International Civil Servants (FAFICS) raised the issue anew last year and proposed that provision be made in the Regulations for the payment of a survivor's benefit to the divorced spouses of former participants whenever, at the time of death, the staff member or pensioner was under a legal obligation to pay maintenance to the former spouse. The Board decided to consider this proposal in 1990 on the basis of an analysis of (a) the actuarial and administrative implications of providing benefits to divorced spouses; (b) the actuarial and other implications of continuing to pay a survivor's benefit after re-marriage; and (c) survivor's benefits when the marriage occurred after separation from service.

(a) Actuarial and administrative implications of providing benefits for divorced spouses

173. As under the Regulations, no benefits are payable to or in respect of a spouse during the participant's lifetime, only survivors' benefits for divorced spouses were considered. If such a benefit were to be created, one would have to consider carefully which divorced spouses would be covered and the method of calculation of the benefit. Thus, for instance, would the date of the divorce be relevant, i.e., whether it occurred before, during or after service? A conceptual basis would have to be established for such benefits, i.e., whether they are to be based on the "shared assets" concept or on presumed dependency. There would also be a need to address the complex issues arising in cases where there are multiple marriages and divorces, rather than just one divorced spouse and no re-marriage by the participant prior to separation.

174. If a new entitlement were to be established for divorced spouses, provisions would have to be introduced to protect the acquired rights of surviving spouses as presently defined, of secondary dependants whose benefits might be eliminated, and of children whose benefits might be reduced as a consequence. Furthermore, there could be no reduction of any benefit already in payment in order to pay for a new benefit for divorced spouses.

175. Administrative problems include the need to identify and keep track of divorced spouses. The Fund would have to rely on information from the participant, who may have no interest in his or her divorced spouse eventually receiving a benefit, particularly if, as a result, the benefit entitlement of the participant, of a current spouse, or of another, more favoured ex-spouse, would be reduced.

176. The actuarial implications of providing a benefit to a divorced spouse would depend on the conditions governing eligibility for the benefit, and whether the amount to be shared by the spouse(s) and former spouse(s) of the former participant would equal one survivor's benefit or whether additional benefits for former spouses would be provided.

177. As a possible alternative to amending the Regulations dealing with survivors' benefits, the Board considered authorizing, under strictly defined conditions, limited one-time lump-sum payments from the Emergency Fund. This would permit discretionary assistance in hardship cases where the participant's death results in sudden economic deprivation for the divorced spouse (who may have been relying on the participant for substantial financial support). It is estimated that, for this purpose, the amount in the Emergency Fund would have to be increased by $50,000 to $100,000 annually (experience would establish the actual funding needs).

(b) Actuarial and other implications of continuing to pay a survivor's benefit after re-marriage

178. Under the existing Regulations, unchanged in this respect since the inception of the Fund, a surviving spouse's benefit is terminated with his or her re-marriage, upon payment of "a lump sum in the amount of twice the annual rate of the benefit" (art. 34 (h)). The same rule exists in most national social security plans and in the pension schemes of international organizations. Exceptions are generally found only in plans where, unlike in the United Nations system, the participant purchased the spouse's benefit through an actuarial reduction of his or her own benefit.

179. The number of re-marriages by recipients of surviving spouses' benefits of which the Fund's central secretariat is aware is not large - there were only 14 such cases in 1988 and 1989 combined. Consequently, there would be no measurable actuarial impact if the benefits of surviving spouses were continued after re-marriage.

180. However, a number of policy and administrative questions would arise. Should the surviving spouse's age matter, whether at the time of the participant's death or at re-marriage? Also, one or more of the surviving spouses may marry another participant and thus could become entitled to a second, full or partial, spouse's benefit in the future. How would continuation of the surviving spouse's benefit upon re-marriage be justified in those cases? In addition, some re-marrying spouses may well prefer the present lump-sum payment, for example, if they were elderly or had major expenses at that particular time.

(c) Survivor's benefits when the marriage occurred after separation

181. The rationale for providing a benefit in such cases is not apparent. There is no "shared asset", as the participant's contributory service ended before the commencement of the marriage. A retired participant who re-marries therefore knows - and so does his or her spouse - that the latter will not be entitled to a survivor's benefit. Moreover, if the benefit is to be financed by a reduction in the participant's own benefit, the reduction may be so drastic as to make the residual pension inadequate.

2. Views of the Committee of Actuaries

182. The Committee of Actuaries did not consider that there was a pressing need to make changes in the existing provisions for surviving spouses' benefits. It reaffirmed its view that the extension of such benefits to divorced spouses would not be desirable, given the administrative, legal and technical complications involved, and that the distribution of marital assets should be settled by the parties in the course of divorce proceedings.

183. The Committee noted that, while the termination of a surviving spouse's benefit upon re-marriage could be a disincentive to re-marriage, the continuation of the benefit, particularly in the case of young widows or widowers, could be costly to the Fund, especially when the participant had died in service. The Committee was of the view that the Board could, if it deemed it appropriate, explore further the possibility of continuing payment of a surviving spouse's benefit following re-marriage, in certain well-defined situations. Among the factors to be taken into account would be the age of the spouse upon re-marriage, whether the participant died in service or while in receipt of a pension, whether there were children and the length of the marriage to the participant. How long the benefit should continue and at what rate would also have to be studied. While there was no significant actuarial cost involved, the impact on benefit design and consistency had to be weighed carefully.

184. The Committee believed that the merits of providing a survivor's benefit in the case of marriage after separation should be assessed in the light of the conclusions reached by the Board on the other two issues.

3. Conclusions

185. Views differed in the Board on all three issues. Some believed that the Fund should provide survivors' benefits to divorced spouses, based on the "shared asset" and/or "dependency" concepts. Pending further study of this possibility, they believed that, as an immediate interim measure, the Board should authorize its Secretary to make payments from the Emergency Fund to surviving divorced spouses in cases involving hardship. Others stressed the administrative and legal complications involved in any modification of the Regulations to provide benefits for divorced spouses. In their view, there could be serious consequences for the Fund if divorced spouses were entitled to seek assistance from the Emergency Fund, noting that, under the current guidelines, payments from the Emergency Fund can only be made to participants and beneficiaries.

186. Most members of the Board shared the view of the Committee of Actuaries that matters relating to the distribution of marital property should be resolved through property settlements reached during divorce proceedings, without involving the Fund. They were not prepared to accept fundamental changes with regard to entitlements to survivors' benefits under the Regulations and stressed that the concepts of "shared asset" and "dependency" were not the criteria governing benefit entitlements from the Fund. Contributions to the Fund and benefits payable to participants were determined independently of the participant's marital status or his or her potential beneficiaries. In their view, neither the FAFICS proposal nor other suggested changes in articles 34 and 35 of the Regulations should be pursued further at this time.

187. The Board eventually reached the following conclusions:

(a) As the problem of financial obligations to divorced spouses in most cases involved serving staff rather than retired staff, the member organizations should be invited and encouraged to address it, both individually and in CCAQ;

(b) Amendments of articles 34 and 35 of the Regulations should not be considered until such time as the organizations will have established a framework for action by the Board;

(c) In his report to the Board on the Emergency Fund next year, the Secretary should analyse possible guidelines that might serve as the basis for authority to make payments to surviving divorced spouses of participants in cases of hardship, in the event the Board should decide to pursue such an approach;

(d) In the mean time, there were no grounds for requesting the General Assembly to increase either the scope of coverage of, or the funding for, the Emergency Fund, and therefore no payments should be made from that Fund to divorced spouses.

K. Cases before the Administrative Tribunals

188. According to its usual practice, the Board considered, on the basis of a note prepared by its Secretary, recent judgements by the Administrative Tribunals within the United Nations system in cases that appeared to be of relevance or interest to the Board. The Board paid particular attention to two cases decided by the ILO Administrative Tribunal, which dealt with the entitlements of ILO staff members

from their employing organization under ILO Staff Regulation 3.1.1, which defines pensionable remuneration in a manner which, at times, does not coincide with the corresponding definition of pensionable remuneration in article 54 of the Fund's Regulations (see ILO Administrative Tribunal Judgment No. 986, in re Ayoub, et al. vs. the ILO and Judgement No. 990, in re Cuvillier (No. 3) vs. the ILO).

189. At the instruction of the ILO Governing Body, the Director-General of ILO requested the Board's assistance in the implementation of the first of these judgements. That judgement dealt with the legal consequences of ILO making the lower scale of pensionable remuneration for staff in the Professional and higher categories, which went into effect under the Fund's Regulations on 1 January 1985, applicable to its own officials in service on 31 December 1984, only from 1 April 1985. The ILO Administrative Tribunal held that such staff were entitled to receive from ILO the difference between their actual pensions from the Fund and the amounts they would have received if the pensions had been based until 31 March 1985 on the higher, pre-1 January 1985 scale of pensionable remuneration.

190. The Board agreed to recommend to the General Assembly that the assistance sought by ILO be provided, but only if the following conditions were met:

(a) The Governing Body of ILO completed formal action to replace article 3.1.1 of the ILO Staff Regulations by a cross-reference to the definition of pensionable remuneration under the Fund's Regulations, so that the problem of differing definitions of pensionable remuneration would not recur;

(b) ILO agreed to bear the full actuarial and administrative costs involved in re-calculating and paying the increased benefits of the approximately 350 ILO participants involved;

(c) ILO endeavoured to reach lump-sum settlements with as many of the former staff members concerned as possible.

191. The Board further decided to authorize its Secretary to explore with the ILO Administrative Tribunal the development of an arrangement whereby the Board would be apprised of cases with pension aspects brought before that Tribunal so that the Secretary of the Board would have the opportunity to provide information to the Tribunal on points relating to the Fund's Regulations and benefit system. This decision has been conveyed to the ILO Administrative Tribunal.

Notes

1/ Official Records of the General Assembly, Forty-fourth Session, Supplement No. 9 (A/44/9), paras. 82 and 83.

2/ Ibid., Forty-fifth Session, Supplement No. 30 (A/45/30).

3/ A/43/712.

4/ Official Records of the General Assembly, Forty-second Session, Supplement No. 9 (A/42/9), para. 63.

ANNEX I

Statistics on the operations of the Fund for the year ended 31 December 1989

Table 1. Number of participants as at 31 December 1989

Member organization	Participants as at 31 December 1988	New entrants	Transfers In	Transfers Out	Separations	Participants as at 31 December 1989
United Nations	27 740	3 583	96	(80)	(1 871)	29 468
ILO	3 098	457	21	(20)	(396)	3 160
FAO	6 909	762	28	(26)	(718)	6 955
UNESCO	2 908	154	4	(8)	(197)	2 861
ICAO	1 067	134	7	(5)	(127)	1 076
WHO	5 887	680	28	(23)	(481)	6 091
ITU	1 076	93	3	(9)	(132)	1 031
WMO	380	58	4	(5)	(31)	406
IMO	344	23	1	(1)	(40)	327
WIPO	339	39	4	(2)	(22)	358
IFAD	237	33	2	(5)	(16)	251
UNIDO	1 727	323	18	(28)	(183)	1 857
IAEA	1 865	217	3	(10)	(136)	1 939
ICITO/GATT	397	31	6	(3)	(21)	410
ICCROM	24	2	-	-	(2)	24
EPPO	8	1	-	-	(1)	8
TOTAL	54 006	6 590	225	(225)	(4 374)	56 222

Table 2. Benefits awarded to participants or their beneficiaries during the year ended 31 December 1989

Member organization	Retirement benefit	Early retirement benefit	Deferred retirement benefit	Withdrawal settlement under 5 years	Withdrawal settlement over 5 years	Child's benefit	Widow's and widower's benefits	Other death benefit	Disability benefit	Secondary dependant's benefit	Transfer under agreements	Total
United Nations	266	135	72	895	338	376	40	9	14	1	76	2 222
ILO	45	38	25	243	32	49	3	-	2	-	4	441
FAO	72	67	58	359	124	92	20	-	7	-	8	807
UNESCO	44	28	9	75	26	40	2	-	5	-	5	234
ICAO	19	12	10	57	17	14	-	-	2	-	10	141
WHO	91	47	13	223	78	131	6	2	4	1	15	611
ITU	18	10	6	89	4	11	2	-	1	-	1	142
WMO	6	4	3	13	4	3	-	-	-	-	1	34
IMO	8	2	2	20	5	1	-	-	-	-	3	41
WIPO	3	2	-	15	2	-	-	-	-	-	-	22
IFAD	-	3	-	11	1	-	-	-	-	-	1	16
UNIDO	11	3	15	124	15	7	3	-	3	-	7	188
IAEA	22	13	9	59	18	4	-	-	-	-	15	140
ICITO/GATT	4	2	1	13	1	2	-	-	-	-	-	23
ICCROM	-	-	1	1	-	-	-	-	-	-	-	2
EPPO	-	-	-	1	-	-	-	-	-	-	-	1
TOTAL	609	366	224	2 198	665	730	76	11	38	2	146	5 065

56

Table 3. Analysis of periodic benefits as at 31 December 1989

Participants or their beneficiaries

Type of benefit	Total as at 31 December 1988	New	Benefits discontinued, resulting in award of survivor's benefit	All other benefits discontinued	Total as at 31 December 1989
Retirement	9 528	609	(165)	(84)	9 888
Early retirement	4 753	366	(74)	(21)	5 024
Deferred retirement	5 067	224	(18)	(41)	5 232
Widow	3 344	70	253	(54)	3 613
Widower	145	6	16	(5)	162
Disability	570	38	(17)	(10)	581
Child	4 910	730	-	(621)	5 019
Secondary dependant	45	2	5	(5)	47
Total	28 362	2 045	-	(841)	29 566

ANNEX II

Audit opinion, financial statements and schedules for the year ended 31 December 1989

A. Audit opinion

We have examined the appended financial statements, numbered I and II, properly identified, the notes to them and relevant schedules, of the United Nations Joint Staff Pension Fund for the financial period ended 31 December 1989. Our examination included a general review of the accounting procedures and such tests of the accounting records and such other supporting evidence as we considered necessary in the circumstances.

We did not physically inspect and count the securities of the investments account amounting to $7,420,459,195.84 held by an independent custodian as of 31 December 1989. These securities were examined by other independent auditors whose reports thereon have been furnished to us and our opinion expressed herein in so far as it relates to the investments account is based solely upon the report of these auditors.

As a result of our examination and the report of other auditors referred to above, we are of the opinion that the financial statements of the United Nations Joint Staff Pension Fund present fairly the financial position as at the end of the period and the results of its operations for the period then ended.

The financial statements were prepared in accordance with the generally accepted accounting principles, which were applied on a basis consistent with that of the preceding financial period. The transactions were in accordance with the Financial Regulations and legislative authority.

(*Signed*) Eufemio C. DOMINGO
Chairman, Commission on Audit
The Philippines

(*Signed*) Heinz Günter ZAVELBERG
President
Federal Court of Audit
Federal Republic of Germany

(*Signed*) O. T. PREMPEH
Auditor General of Ghana

20 June 1990

B. United Nations Joint Staff Pension Fund

Notes on the financial statements for the year ended 31 December 1989

Summary of significant accounting policies

The following are some of the significant accounting policies of the United Nations Joint Staff Pension Fund.

1. Investments

Investments are recorded at cost using commercial historical exchange rates instead of United Nations operational rates of exchange. Interest income is recorded on an accrual basis. No provision is made for amortization of premium or discount which is taken into account as part of the gain or loss when investments are sold; dividends are included in income on a cash basis; realized profits and losses are shown on a net basis. Refunds on foreign taxes withheld are recorded as income in the year during which they are received.

2. Contributions

Contributions received from participants, member organizations and other funds are recorded on an accrual basis.

Contributions refunded to member organizations are recorded on a cash basis.

3. Benefits

Payment of benefits, including withdrawal settlements, is recorded on an accrual basis.

4. Principal of the Fund

The principal of the Fund represents the active participants' contributions plus interests, together with the balance of equity of the Fund.

5. Emergency Fund

Appropriation is recorded when the authorization is approved by the General Assembly; payments are charged directly against the appropriation account; any unexpended balance is reverted to the Pension Fund at the end of the year.

6. Administrative Expenses

In accordance with article 15 (b) of the Regulations of the Fund, the administrative expenses of the Fund are estimated and approved on a biennial basis.

Explanatory note

Cash balances and bank overdraft

The Fund, for purposes of investments and payment of benefits, maintains a number of bank accounts. Cash accounts with positive balances at the year-end are totalled and shown as "Cash in banks", while those with negative balances are totalled and shown as "Bank overdraft".

STATEMENT I

UNITED NATIONS JOINT STAFF PENSION FUND

Statement of assets and liabilities as at 31 December 1989 with comparative figures as at 31 December 1988

(United States dollars)

Assets		1989	1988
Cash in banks		4 011 477	19 681 771
Contributions receivable from member organizations		29 397 022	47 668 957
Accounts receivable		298 080	494 714
Accrued income from investments		138 083 819	102 110 315
Receivable from investments sold		24 986 377	35 397 541
Investments (schedules 2, 3 and 4)			
Temporary investments - at cost (market value: 788 703 802)	772 101 684		
Bonds - at cost (market value: 3 405 463 801)	3 265 024 448		
Stocks and convertible bonds - at cost (market value: 3 692 349 206)	2 543 178 959		
Real estate and related securities - at cost (market value: 993 895 483)	840 154 105	7 420 459 196	6 663 608 474
Prepaid benefits		9 572 630	8 641 842
		7 626 808 601	6 877 603 614
Liabilities and principal of the Fund			
Benefits payable		11 255 976	9 175 735
Held in Trust		130 000	130 000
Payable for securities purchased		31 629 971	45 008 126
Other accounts payable		4 201 243	425 939
Bank overdraft		-	12 089 691
Principal of the Fund		7 579 591 411	6 810 774 123
		7 626 808 601	6 877 603 614

Certified correct:

(*Signed*) J. Richard FORAN
Assistant Secretary-General
Representative of the Secretary-General
for the Investments of the United Nations
Joint Staff Pension Fund

(for investments of the Fund only)

(*Signed*) Raymond GIERI
Secretary
United Nations Joint Staff
Pension Board

27 April 1990

STATEMENT II

UNITED NATIONS JOINT STAFF PENSION FUND

Statement of source and application of funds for the year ended 31 December 1989 with comparative figures for the year ended 31 December 1988

(United States dollars)

Source of funds	1989	1988
Participants:		
Contributions under article 25 (a)	159 311 888	143 804 342
Additional contributions with interest to make prior service contributory	332 296	231 999
Repayment of benefits with interest to restore prior contributory service	2 122 835	2 473 366
Voluntary deposits	-	194
	161 767 019	146 509 901
Member organizations:		
Contributions under article 25 (a)	318 623 777	287 608 685
Additional contributions with interest to make prior service contributory	850 599	1 014 713
	319 474 376	288 623 398
Amounts received from non-member organizations for participants transferred under agreements	760 209	990 015
Receipts of excess actuarial cost over regular contributions with interest to make prior service contributory	140 990	1 104
Investment income		
Interest earned	318 317 603	269 390 566
Dividends	85 191 481	80 671 446
Real estate and related securities	54 313 189	45 474 589
Profit (net) on sales of investments	277 270 915	301 831 259
	735 093 188	697 367 860
Total	1 217 235 782	1 133 492 278

STATEMENT II (continued)

Application of funds	1989	1988
Payment of benefits		
Withdrawal settlements and full commutation of benefits	26 873 042	31 263 558
Retirement benefits	216 478 380	214 909 604
Early and deferred retirement benefits	134 381 972	125 994 660
Disability benefits	11 008 719	10 377 661
Death benefits (other than to children)	35 678 578	33 627 041
Children's benefits	6 909 622	6 829 012
Loss (gain) on exchange and charges	128 820	(1 181 298)
	431 459 133	421 820 238
Amounts remitted to non-member organizations and Governments for participants transferred under agreements	5 071 186	4 619 515
Contributions refunded to member organizations under article 26 of the Regulations as at 31 December 1982	7 567	-
Administrative expenses		
Administrative costs	3 551 523	3 143 525
Investment costs chargeable to gross income from investments	8 787 091	6 600 111
	12 338 614	9 743 636
Emergency Fund	56 996	47 081
Adjustments to prior year benefits (net)	(515 003)	(178 569)
Transferred to principal of the Fund	768 817 289	697 440 377
Total	1 217 235 782	1 133 492 278

Certified correct:

(*Signed*) Raymond GIERI
Secretary
United Nations Joint Staff
Pension Board

27 April 1990

SCHEDULE 1

Schedule of administrative expenses for 1989 and 1988

(United States dollars)

	1989	1988
Administrative costs		
Established posts	2 043 848	1 946 903
Overtime and temporary assistance	120 514	74 838
Common staff costs	687 912	597 867
Actuarial consulting services	240 395	154 303
Consultants	3 250	100 000
Travel of staff	34 259	24 122
Committee of Actuaries	14 028	15 308
Data-processing costs	347 379	174 209
External audit	10 020	9 480
Computer services rendered by the United Nations	20 000	20 000
Communications services	5 000	5 000
Hospitality	4 742	3 429
Miscellaneous charges	20 176	18 066
Total	3 551 523	3 143 525

	1989	1988
Investment costs		
Established posts	593 233	516 656
Overtime and temporary assistance	21 914	9 228
Common staff costs	187 313	181 402
Training	10 336	5 135
Custodial services and investment counsel	7 624 670	5 661 975
Consultants	65 602	37 100
Travel of staff	49 894	48 853
Investments Committee	124 901	109 282
Data processing costs	23 700	8 266
Communications services	11 310	1 858
Hospitality	1 767	533
Miscellaneous charges	19 010	19 821
Bank charges	53 441	0
Total	8 787 091	6 600 111

SCHEDULE 2

Summary statement of investments as at 31 December 1989

(Thousands of United States dollars)

Investments	Balances - at cost a/		1989 income		
	1 January 1989	31 December 1989	Profit or (loss) on sales	Dividends or interest	Total
Bonds (United States dollars)	1 030 430	1 470 287	3 357	109 911	113 268
Stocks and convertible bonds (United States dollars)	1 168 778	1 012 341	105 429	42 790	148 219
Bonds (other currencies)	1 402 290	1 794 737	(33 133)	131 879	98 746
Stocks and convertible bonds (other currencies)	1 400 164	1 530 838	174 369	42 401	216 770
Real estate and related securities (United States dollars and other currencies)	765 793	840 154	(100)	54 313	54 213
Temporary investments (United States dollars)	576 267	474 488	(831)	56 304	55 473
Temporary investments (other currencies)	319 886	297 614	28 180	20 224	48 404
Total portfolio	6 663 608	7 420 459	277 271	457 822	735 093

---

a/ Cost value adjusted to reflect year-end adjustments.

SCHEDULE 3

Comparison of cost value and market value of investments as at 31 December 1988 and 31 December 1989

(Thousands of United States dollars)

	31 December 1988			31 December 1989		
Investments	Cost*	Percentage of total cost value	Market value*	Cost*	Percentage of total cost value	Market value*
Bonds (United States dollars)	1 030 430	15.5	1 030 708	1 470 287	19.8	1 532 295
Stocks and convertible bonds (United States dollars)	1 168 778	17.5	1 362 259	1 012 341	13.6	1 517 383
Bonds (other currencies)	1 402 290	21.0	1 535 028	1 794 737	24.3	1 873 169
Stocks and convertible bonds (other currencies)	1 400 164	21.0	1 782 937	1 530 838	20.6	2 174 966
Real estate and related securities (United States dollars and other currencies)	765 793	11.5	919 318	840 154	11.3	993 895
Temporary investments (United States dollars)	576 267	8.7	577 149	474 488	6.4	472 397
Temporary investments (other currencies)	319 886	4.8	338 312	297 614	4.0	316 307
Total portfolio	6 663 608	100.0	7 545 711	7 420 459	100.0	8 880 412

---

* Market and cost values adjusted to reflect year-end adjustments.

SCHEDULE 4

Summary of outstanding tax refunds as at 31 December 1989

Source		Local currency						Exchange rate in effect 31 December 1989	Equivalent in United States dollars
		Prior to 1985	1986	1987	1988	1989	Totals		
Australia	$A				146 831	216 831	363 662	1.2657	287 321
Austria	S					943 500	943 500	11.9019	79 273
Belgium	BF			4 456 668	7 609 165		12 065 833	35.5885	339 037
Denmark	DKr				102 000	122 400	224 400	6.5866	34 069
Finland	Fmk				13 429	43 787	57 216	4.0318	14 191
France	FF			141 441	31 906	126 000	299 347	5.7849	51 746
Germany, Federal Republic of	DM					1 145 125	1 145 125	1.6908	677 268
India	RS			126 499	481 580	514 420	1 122 499	16.6210	67 535
Italy	Lit	182 736 000	126 270 000	112 317 157	223 541 843	272 561 334	917 426 334	1 265.8228	724 767
Japan	¥		340 200	265			340 465	143.7815	2 368
Korea, Republic of	W		44 698 500	38 555 520	43 095 336		126 349 356	675.0240	187 178
Malaysia	$M	34 719	559 464	393 108	472 823	217 140	1 677 254	2.6997	621 274
	$S		112 000	40 000	59 701	52 658	264 359	1.8998	139 151
Mexico	$Mex	121 519 068	112 729 017	216 454 753	86 915 302	107 344 129	644 962 269	2 680.9652	240 571
Netherlands	F	179	3 500	8 839	1 128 259	1 541 719	2 682 496	1.9103	1 404 228
New Zealand	$NZ	40 968	11 865	49 387	24 840		127 060	1.6805	75 608
Norway	NKr			719 423			719 423	6.5947	109 091
Papua New Guinea	$A	6 930					6 930	1.2657	5 475
Philippines	P	768 750				200 000	968 750	21.4482	45 167
Singapore	$S				480 780	487 060	967 840	1.8998	509 443
Spain	Ptas	77 733 907	26 379 694	44 287 745	49 143 020	134 323 168	331 867 534	109.0988	3 041 899
Switzerland	SwF				549 889	1 513 815	2 063 704	1.5435	1 337 029
Thailand	B					1 855 553	1 855 553	25.1790	73 694
United Kingdom of Great Britain and Northern Ireland	£			204 836	58 405	344 929	608 170	.6199	981 078
						Total amount outstanding			11 048 461

ANNEX III

Report of the Board of Auditors to the General Assembly on the accounts of the United Nations Joint Staff Pension Fund for the year ended 31 December 1989

Introduction

1. In accordance with article 14 of the Regulations of the United Nations Joint Staff Pension Fund, the Board of Auditors has audited the accounts of the Fund for the year ended 31 December 1989.

2. The examination was made in accordance with article XII of the Financial Regulations of the United Nations and the annex thereto and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Our examination was conducted at the secretariat of the Pension Board and the Investment Management Service at the United Nations in New York.

3. During the year under review, the Board of Auditors continued its practice of reporting the results of specific audits and issuing management letters containing detailed observations and recommendations to the Administration. This practice has helped greatly in maintaining a continuing dialogue with the Administration.

4. The following pages explain the most significant matters arising from our examination. We have discussed these matters with the Administration, whose responses are incorporated in this report where appropriate. The Board has noted the efforts with which the Administration has dealt with the issues brought to its attention and the steps it has taken to improve financial management and control systems. Our recommendations are intended to assist the Administration in seeking and implementing further improvements in these systems.

5. This report is divided into two parts covering the audit of financial statements and management issues, respectively.

Summary of recommendations

6. We recommend that the following corrective actions, presented in order of priority, be taken:

(a) Exert more efforts in securing tax exempt status in countries where investments are being made and in collecting the refunds of taxes withheld (see para. 14);

(b) Establish written guidelines on limits in the amount of holdings on investment trusts, special country funds and real estate investments (see paras. 18 and 21);

(c) Ensure that the investments of the Fund on real estate companies are in accordance with existing policy (see para. 24);

(d) Update master list of outstanding certificates, make appropriate notation in the files of the beneficiaries and continue to ensure compliance with the deadlines for the suspension of benefits (see paras. 39 and 42);

(e) Request all member organizations to review and edit magnetic tapes or discs before sending them to the central secretariat and to provide all necessary tape specifications (see para. 46);

(f) Request all member organizations to submit contribution statements and to reconcile the amount reported with their payroll (see para. 50).

Summary of findings

7. Outstanding tax refunds continued to show substantial balances. Tax refund of one country was understated by $604,097 (see paras. 13 to 16).

8. There were no written guidelines in limits on the amount of holdings on investment trusts, special country funds and real estate investments (see paras. 17 to 23).

9. Real estate holdings in 2 out of 20 companies were in excess of the authorized limits (see paras. 24 to 35).

10. Suspension of benefit payments were not strictly in accordance with General Procedure No. 16 (see paras. 36 to 43).

11. Late submission of year-end schedules delayed the preparation of financial statements (see paras. 44 to 46).

12. Non-submission of, or unreconciled amounts reported in, the contribution statements hampered the year-end reconciliation process (see paras. 47 to 52).

Part One

Financial statements

Investments

Outstanding tax refunds

13. Outstanding tax refunds as at 31 December 1989 amounted to $11,048,482. This already includes the understatement of tax refund of one country by $604,097 due to error in conversion. Review of the taxes withheld by countries on investment income of the United Nations Joint Staff Pension Fund showed an increase of 86 per cent, or $5,137,503, from the figures on 31 December 1988, which is partly due to the increase in income of the Fund and partly due to cut-off dates for preparing the reports. Of this increase, 34 per cent, or $1,263,558, pertains to direct taxes withheld by countries that still refuse to grant exemption. To date, total tax refund from these countries is $4,080,932.

14. Considering that the amount of tax refunds continues to grow, the Fund should exert more efforts in securing tax exempt status in countries where investments are

being made. One suggestion towards this is to consider not increasing the exposure in countries that have not been refunding taxes withheld. Moreover, there is a need to find measures to speed up refund procedures. Delay in the collection of refunds would mean loss of additional income to the Fund.

15. The Administration replied that:

> "The tax matter is reported and discussed with the global custodian on a monthly basis at scheduled regular meetings which are minuted and are on file at IMS. In addition, follow-ups and contacts are made, in countries involved, on a regular basis through the missions, brokerage, financial institutions, and occasionally direct contacts are made by United Nations staff with government officials. Excessive effort has been exerted in securing tax withheld and tax exemption in countries where investments have been made. The practice of reducing or not initiating investments in countries which have refused to grant or refund taxes withheld has been in effect for several years. There is a limit to what the Fund can do to secure taxes withheld and we believe that we have exploited most avenues available to us. We will continue to explore other means."

16. Also the Administration informed us that the consultant's report on the exemption from taxation of the investment income of the Fund has been accepted by the representative of the Secretary-General and he is reviewing the recommendations. Meanwhile, Investment Management Service (IMS) has been exploring some of the recommendations made by the consultant, i.e., before the Fund invests in a country in which it now has no investments, it obtains from the Government concerned an understanding that the investment income will not be subject to direct taxation.

No guidelines on limits on investments trusts and special country funds

17. Our review of the Procedures and Operations Manual for Investment Decision-Making revealed that there was no guideline which limits the amount that can be committed to individual securities as far as investment trust and special country funds are concerned.

18. Interviews with the officials disclosed that normally the amount of investments do not exceed 15 per cent of the market capitalization at the time of initial purchase. The exceptions are those funds managed by the Fiduciary Trust Company International (FTCI) which are the South-East Asian and Pacific Area Securities (SEAPAC), Japanese and Pacific Area Securities (JAPAC) and European and Mediterranean Area Securities (EUROMED).

19. We recommended guidelines on investment trusts and special country funds in the revised Policies and Procedures Manual section 2.042 (b) dated January 1990 and the Administration agreed and in fact incorporated them.

No guidelines on limit of size of holdings on real estate companies

20. Likewise, our review of the Procedure and Operations Manual for Investment Decision-Making showed that there was no guideline which limits the size of holdings the Fund can make on real estate companies.

21. The manual only provides restrictions on direct investments on real estate and that real estate related investments should have clearly defined redemption provisions.

22. We recommended that limits on the holdings on real estate investment be incorporated in the manual and strict adherence to the policy be observed.

23. The Administration replied that guidelines on limit on the size of holdings on real estate related securities has been incorporated in the revised Policies and Procedures Manual 2.042 (e), dated January 1990.

Real estate holdings in excess of the authorized limits

24. Interview made with the Investments Management Service disclosed that as far as real estate securities are concerned, total investments of the Fund should not exceed 15 per cent of the net assets of the Real Estate Fund.

25. Review, however, showed that in two companies, PRA Real Estate Securities Trust and Pan European Property Unit Trust, the holdings of the Fund as at 31 December 1989 were 24.41 per cent and 19.54 per cent respectively. This is based on the net assets of the Funds as at 30 June 1989. The FTC Real Estate Adviser admitted that the investments are overweight.

26. We recommended that investments in PRA Real Estate Securities Trust and Pan European Property Unit Trust be reduced to lower the percentage of the Funds represented in the Portfolio of the Fund. We further recommended that investments in all funds should be within the limits as authorized.

27. The Administration explained that PRA Real Estate Securities is a group trust that invests along with a mutual fund managed by the same advisor and invests in the same or similar securities. The total assets of the two funds are about $47 million. As at 31 December 1989, the United Nations Joint Staff Pension Fund had a total investment of $10.1 million representing about 21 per cent of the combined funds. Initially, the fund was supposed to have raised $200 million and the decision to subscribe for $20 million was based on that amount. After the units were bought, it was learned that the fund did not raise the $200 million anticipated.

28. It was explained further, that as the fund is invested in many securities, they feel that there will be significant liquidity. And as more investors buy the units and the value increases, the proportion of the United Nations Joint Staff Pension Fund will also decrease.

29. We cannot share this view of the Administration. The United Nations Joint Staff Pension Fund participated in the first subscription of PRA Real Estate Securities in January 1988 for $20 million based on that expected capitalization of $200 million. This was approved, as an exception, by the representative of the Secretary-General before the same was reviewed by the Investments Committee for inclusion in the approved list in February 1988.

30. Considering, that it is almost two years now, from the initial subscription date and the assets of the real estate fund as at 31 December 1989 is still $47 million, we believe that the holdings of the United Nations Joint Staff Pension Fund should already be reduced to the limits as authorized.

31. On Pan European Property Unit Trust, the Administration commented that, when the trust was initially issued, most of its investments were in the Federal Republic of Germany, France and the Netherlands. The trust since then has expanded its investments to major continental European countries. In order to take advantage of the improved property investment environment in Europe, it was felt necessary to increase the Fund's exposure in Europe to Pan-European exposure, as there were no other vehicles in Europe. The trust has done extremely well and they were glad they increased the exposure.

32. We further recommended that in cases where deviations from existing policy were made, a note to the file should be kept stating the justifications for the actions taken supported with complete documentation and required approval. It should likewise indicate in the note that such a step should not be taken as a precedent.

33. Finally, we recommended that limits on the size of holdings on real estate investments be incorporated in the manual and strict adherence to the policy be observed. The Administration stated that the new guideline, which is still in draft form, for real estate investments requires that the maximum percentage of a particular real estate fund which the fund may hold shall be established on a case by case basis. The limit should be established on the basis of a recommendation from the Chief of Investments Management Service through the Investments Committee to the Representative of the Secretary-General.

34. In answer, the Administration contends that the previously undocumented limit of 15 per cent actions, purely as an investment practice, does not apply anymore. However, efforts will be made to keep the size of holdings reasonable to provide flexibility in implementing an investment decision and exceptions will be fully documented.

35. Given the current guidelines and the documentation that has been prepared on the PRA Real Estate securities and Pan-European, the Administration still maintains that the sizes of the holdings are justified as explained in their response to our audit observations. PRA Real Estate securities is providing the Fund with very good income and Pan-European continues to have good returns and it is increasing its exposure to the European real estate market. They, therefore, would reduce them purely for investment reasons.

Part Two

Management issues

Benefit payments

Certificate of entitlement

36. Of the 19,064 certificates of entitlement sent out in July 1988, 405 were not returned as at 10 October 1989. The Fund's General Procedure No. 16 provides that the payment of the benefit should be suspended whenever the certificate of entitlement is not returned or reply provided two months after the mailing date of the follow-up letter. Our review, however, indicated that the benefits of the 405 beneficiaries should have been suspended on 1 December 1988, as the follow-up letter had been sent on 1 October 1988.

37. Of the 405, only 166, or 41 per cent had been suspended as of the time of the audit. The other 239 beneficiaries, or 59 per cent, continued to receive their benefits, although they should have been suspended in accordance with the Fund's prescribed procedures.

38. The Administration explained the latter cases were not suspended because the certificate of entitlement and/or a letter had been received after the 1 October follow-up letter, or, in response to the Fund's requests for assistance, the office of the United Nations Development Programme or the local secretaries of the member organizations had advised that the certificate of entitlement would be forthcoming.

39. We recommended and the Administration agreed that the names of those beneficiaries whose letters or certificates of entitlement had been received should have been removed from the master list of outstanding certificates and a notation be made in the files of those beneficiaries in respect of whom the Fund had been advised that a letter was forthcoming.

Suspension of benefits were made beyond the prescribed period

40. Likewise, we reviewed several cases of benefits that were suspended in February/March 1989. In reviewing the files, the latest certificates of entitlement on file for 27 cases were received either in 1983 or 1985. It therefore appeared that a delay of from 26 to 62 months elapsed before the suspension of benefits took place.

41. The Administration explained that the 27 cases were suspended in early 1989 based on the non-receipt of the certificate of entitlement for the current period and not on the 1983 or 1985 certificates of entitlement, i.e. the non-receipt of the 1988 certificate of entitlement. The Administration further explained that during the period 1986 through 1988 a modified procedure had been introduced to store future returned certificates of entitlement in boxes, rather than in the individual files, owing to the time required to file large numbers of certificates.

42. We recommended and the Administration agreed to continue to ensure compliance with the deadlines for the suspension of benefits.

43. The Pension Fund now is in the final phase of the 1989 processing cycle on certificates of entitlement. They find it difficult to process annually more than

20,000 certificates, sent to all parts of the world and returned with various messages and notations indicating changes in personal data or addresses. The Fund is currently in the process of revising the guidelines to ensure that the procedures remain practical and in conformity with requirements.

Late submission of year-end schedules delayed the preparation of financial statements

44. Member organizations are required to submit year-end schedules, through their respective local secretariats, by 15 February of the following year. The central secretariat's records show that most organizations were not able to submit their schedules in a timely manner.

45. Inquiries made disclosed that the central secretariat also had difficulty in processing several schedules. Our investigation showed that schedules submitted on magnetic tapes and discs were sometimes empty, incomplete, or incorrectly formated. The Administration had to return these tapes or, when possible, convert them into proper formats. That situation caused delays in the year-end processing and the preparation of financial statements.

46. We recommended and the Administration agreed to request those member organizations which submit their schedules on magnetic tapes or discs to review and edit them before they are sent to the central secretariat and to provide all necessary tape specifications.

Non-submission of, as well as incorrect assessments in, the Contribution Statements hampered the year-end reconciliation process

47. We noted that aside from the year-end schedules, the member organizations are required to submit monthly Contribution Statements and Payment Advices (Section G of the Administration Manual and Circular Letter No. 822).

48. Our inspection of each member organization's file disclosed that several organizations did not submit monthly contribution statements for 1989.

49. Some of the submitted contribution statements revealed that the amounts reported in the monthly statements, when totalled from January to December 1989, differed, sometimes significantly, from the amounts in the year-end schedules. This situation implied that the monthly contribution statements were submitted without checking and cross-checking the data with the payrolls and other pertinent personnel records.

50. We recommended that all member organizations be requested to consider submitting contribution statements and that the amounts in those statements should be reconciled with those reflected in their monthly payroll.

51. The Administration advised that those organizations which do not send contribution statements have been providing payment advices, reflecting the amounts transferred to the central secretariat. It also observed that some organizations, because of the dispersion of their staff and decentralized payroll arrangements, may have difficulties in submitting detailed and reconciled contribution statements each month.

52. We believe that copies of the payment orders to banks advise the central secretariat only of the remittance made by the organization. We are of the opinion that monthly contribution statements reconciled against payroll records are necessary to provide both the organizations and the central secretariat a means of ensuring that the remittance is sufficient. We believe that such monthly contribution statements will minimize errors at year-end. The Participant's Reconciliation Exceptions report at year-end would therefore have fewer items and thereby facilitate the preparation of the financial statements.

Write-off of receivables

53. The Administration informed us that during the year 1989, a total of $11,435.52 uncollectible indebtedness to the Fund was written-off in accordance with the Administrative Rule J.9(c) of the United Nations Joint Staff Pension Fund.

Cases of fraud

54. The Board was informed that there were no cases of fraud or presumptive fraud reported, observed, or discovered during 1989.

Comments on matters dealt with in the 1988 report of the Board of Auditors

55. We noted that the Administration has taken satisfactory action on matters raised in the Board's report for 1988, a/ except for the cash balance report that continued to present balances that were not up-to-date and the preparation of the accounting manual that is still in draft form. We reiterated the need for the manual and the resultant advantages in terms of procedures standardization, improved internal accounting control and greater efficiency in the accounting activities.

56. According to the Administration, the recommendations relating to the computer application systems were already included in the general review and redesign of the EDP systems supporting the Fund's operations.

Implementation of financial rule 114.1

57. In paragraph 24 of General Assembly resolution 44/183 of 19 December 1989, the Assembly requested the Board of Auditors to review the administrative instructions issued in the implementation of the Financial Regulations and Rules, particularly rule 114.1 and to make a report on their adequacy and efficacy.

58. The Board is pleased to report that no official of any office of the United Nations Joint Staff Pension Fund that have been reviewed during the biennium 1988-1989 is found to have acted intentionally, by commission or omission, contrary to the Regulations and Rules of the Fund and the Administration Manual and Financial Rules or to the administrative instructions issued in connection therewith. Audit findings raised in the present report can be attributed to misinterpretation of regulation or rule and/or lack of co-ordinated action on the part of officials.

Acknowledgement

59. The Board of Auditors wishes to express its appreciation for the co-operation and assistance extended to the External Auditors in the course of the audit by the Secretary of the United Nations Joint Staff Pension Board, the United Nations Controller, the Representative of the Secretary-General for the Investments of the Fund, and their senior officials and members of their staff.

(*Signed*) Eufemio C. DOMINGO
Chairman, Commission on Audit
The Philippines

(*Signed*) Heinz Günter ZAVELBERG
President of the Federal Court of Audit
Federal Republic of Germany

(*Signed*) O. T. PREMPEH
Auditor General of Ghana

Notes

a/ *Official Records of the General Assembly, Forty-fourth Session, Supplement No. 9* (A/44/9).

ANNEX IV

Pensionable remuneration, pensions and net remuneration of ungraded officials

A. Pensionable remuneration and net remuneration of ungraded officials

Table 1. Annual pensionable remuneration of ungraded officials

(United States dollars)

	1 January 1981	1 October 1984	1 January 1985	1 April 1987	1 June 1988	1 January 1989	1 May 1989	1 February 1990	1 July 1990
A. Executive Heads, United Nations Director-General and UNDP Administrator									
United Nations									
Secretary-General a/									
Director-General		181 471	143 400	126 900	131 850	138 710	146 620	149 110	
UNDP Administrator	149 025	181 471	143 400	126 900	131 850	138 710	146 620	149 110	
FAO	149 025	181 471	181 471	181 471	188 548	198 352	209 658	213 222	222 922
WHO	149 025	181 471	181 471	181 471	181 471	181 471	181 471	181 471	181 471
UNESCO	149 025	181 471	181 471	181 471	181 471	181 471	181 471	181 471	181 471
ILO	149 025	181 471	181 471	181 471	181 471	181 471	181 471	181 471	181 471
IAEA		181 471	143 400	143 400	143 400	143 400	143 400	143 400	181 471
UNIDO			143 400	143 400	143 400	143 400	143 400	143 400	181 471
ICITO/GATT	149 025	181 471	143 400	126 900	131 850	138 710	146 616	149 110	155 880
IFAD		181 471	181 471	181 471	188 548	198 352	209 658	213 222	222 922
WIPO	156 600	203 206	203 205	203 205	211 130	222 109	234 769	238 760	249 982 c/
IMO	130 497	159 472	128 600	115 800	120 320	126 580	133 795	136 070	142 506
ITU		157 751	129 100	114 900	119 380	125 590	132 749	135 006	147 612
WMO		157 761	129 100	114 900	119 380	125 590	132 749	135 006	147 612
ICAO b/	125 562	153 639	124 700	112 900	117 300	123 400	130 392	132 609	138 916 d/
B. Other officials									
United Nations - Chairmen of the Advisory Committee on Administrative and Budgetary Questions/International Civil Service Commission and Vice-Chairman ICSC		120 000	120 000	120 000	120 000	120 000	120 000	120 000	
Members of Joint Inspection Unit		105 536	92 400	88 000	91 430	96 180	101 662	103 390	108 143

Table 1 (continued)

	1 January 1981	1 October 1984	1 January 1985	1 April 1987	1 June 1988	1 January 1989	1 May 1989	1 February 1990	1 July 1990
B. Other officials (continued)									
WHO - Deputy Director-General/Pan American Health Organization Director							123 849	125 954	131 750
Assistant Director-General/Pan American Health Organization Deputy Director							113 342	115 269	120 800
Pan American Health Organization Assistant Director							110 330	112 206	
ICAO - President of Council	142 635	173 081	137 400	122 600	127 380	134 000	141 625	144 033	150 797 d/
WMO - Deputy Secretary-General							122 697	124 783	136 435
Assistant Secretary-General							113 564	115 495	126 286
ICITO/GATT - Deputy Director-General							123 849	125 954	131 750
ITU - Deputy Secretary-General/Directors							122 697	124 783	136 435
Member of International Frequency Registration Board							113 564	115 495	126 286
C. Officials at the Under-Secretary-General/Assistant Secretary-General levels (and their equivalents)									
Under-Secretary-General	114 047	140 032	115 700	106 100	110 240	115 970	122 580	124 664	130 560
Assistant Secretary-General	101 199	124 257	103 900	98 100	101 930	107 230	113 342	115 269	120 800

---

a/ The Secretary-General of the United Nations is not a participant in the Fund.

b/ The Secretary-General of ICAO is given the option of being a participant in the United Nations Joint Staff Pension Fund or making his own pension arrangements; in the latter case, he receives the employer organization's contribution as additional pay. The current Secretary-General is not a participant in the Fund.

c/ The Director-General of WIPO is also the Secretary-General of the International Union for the Protection of New Varieties of Plants. The pensionable remuneration of the former amounts to $US 208,318, while that of the latter amounts to $US 41,664.

d/ Subject to approval by the ICAO Council.

Table 2. Annual net remuneration (at dependant rate) of ungraded officials as at 1 June 1990 a/

(United States dollars)

	Net salary (1)	Post adjustment rate per Index point x multiplier (2)				Post adjustment (3)	Net remuneration [(1) + (3)]
A. Executive Heads, United Nations Director-General and UNDP Administrator							
United Nations							
Secretary-General	85 000	695	x	71	=	49 345	134 345
Director-General	78 430	644	x	71	=	45 724	124 154
UNDP Administrator	78 430	644	x	71	=	45 724	124 154
FAO	78 430	644	x	83.2	=	53 581	132 011
WHO	78 430	644	x	134.8	=	86 811	165 241
UNESCO	78 430	644	x	86.6	=	55 770	134 200
ILO	78 430	644	x	134.8	=	86 811	165 241
IAEA	78 430	644	x	96.4	=	62 081	140 511
UNIDO	78 430	644	x	96.4	=	62 081	140 511
ICITO/GATT	78 430	644	x	134.8	=	86 811	165 241
IFAD	78 430	644	x	83.2	=	53 581	132 011
WIPO	84 760	698.97	x	134.8	=	94 221	178 981 b/
IMO	70 988	585.41	x	79.2	=	46 364	117 352
ITU	70 419	580.96	x	134.8	=	78 313	148 732
WMO	70 419	580.96	x	134.8	=	78 313	148 732
ICAO	69 052	569.44	x	51	=	29 041	98 093

Table 2 (continued)

	Net salary (1)	Post adjustment rate per Index point	x	multiplier (2)		Post adjustment (3)	Net remuneration [(1) + (3)]
B. Other officials							
United Nations - Chairmen of the Advisory Committee on Administrative and Budgetary Questions/International Civil Service Commission	106 418						106 418
Vice-Chairman International Civil Service Commission	101 418						101 418
Members of Joint Inspection Unit	52 552	433.32	x	134.8	=	58 412	110 964
WHO - Deputy Director-General	65 320	538.00	x	134.8	=	72 522	137 842
Assistant Director-General	59 203	488.40	x	134.8	=	65 836	125 039
ICAO - President of Council	75 506	622.66	x	51	=	31 756	107 262
WMO - Deputy Secretary-General	64 638	547.20	x	134.8	=	73 763	138 401
Assistant Secretary-General	59 383	547.20	x	134.8	=	73 763	133 146
ICITO/GATT - Deputy Director-General	65 320	538.00	x	134.8	=	72 522	137 842
ITU - Deputy Secretary-General/directors	64 638	547.20	x	134.8	=	73 763	138 401
Member of International Frequency Registration Board	59 383	547.20	x	134.8	=	73 763	133 146

Table 2 (continued)

	Net salary (1)	Post adjustment rate per Index point		multiplier (2)		Post adjustment (3)	Net remuneration [(1) + (3)]
C. Officials at Under-Secretary-General/Assistant Secretary-General levels (and their equivalents)							
Under-Secretary-General -							
New York	64 535	532.19	x	71	=	37 785	102 320
Geneva	64 535	532.19	x	134.8	=	71 739	136 274
London	64 535	532.19	x	79.2	=	42 149	106 684
Montreal	64 535	532.19	x	51	=	27 141	91 677
Paris	64 535	532.19	x	86.6	=	46 088	110 623
Rome	64 535	532.19	x	83.2	=	44 278	108 813
Vienna	64 535	532.19	x	96.4	=	51 303	115 838
Assistant Secretary-General -							
New York	59 203	488.36	x	71	=	34 674	93 877
Geneva	59 203	488.36	x	134.8	=	65 831	125 034
London	59 203	488.36	x	79.2	=	38 678	97 881
Montreal	59 203	488.36	x	51	=	24 906	84 109
Paris	59 203	488.36	x	86.6	=	42 292	101 495
Rome	59 203	488.36	x	83.2	=	40 632	99 835
Vienna	59 203	488.36	x	96.4	=	47 078	106 281

a/ The same net base salaries and post adjustments per index point have been in effect since 1 January 1985. Thus, the changes in net remuneration have been due only to changes in the post adjustment classification of the various duty stations.

b/ The Director-General of WIPO is also the Secretary-General of the International Union for the Protection of New Varieties of Plants. The annual net remuneration of the former amounts to $US 149,151 while that of the latter amounts to $US 29,830.

B. Text of amendments considered but not acted upon by the Board to articles 54 and 28 of the Regulations of the Fund

Article 54

Pensionable remuneration

1. [No change in paragraph 54 (a) which deals with the General Service and other locally-recruited categories.]

2. Current paragraph 54 (b) to read:

"(b) (i) In the case of participants in the Professional and higher categories the scale of pensionable remuneration effective 1 July 1990, set out in the appendix hereto, shall be adjusted on the same date as the net remuneration amounts of officials in the Professional and higher categories in New York are adjusted. Such adjustment shall be by a uniform percentage equal to the weighted average percentage variation in the net remuneration amounts;

"(ii) Notwithstanding (i) above, the scale of pensionable remuneration in the appendix hereto shall be deemed to include any longevity and/or merit increases participants were receiving as at 31 December 1990 under the staff regulations of their respective employing organizations."

3. New paragraphs 54 (c) and (d) to read:

"(c) In the case of participants in the United Nations Field Service category, the scale of pensionable remuneration shall be determined by the Secretary-General and shall be adjusted in accordance with the procedure in (b) (i) above;

"(d) In the case of participants not covered by the provisions of (a), (b) or (c) above, their pensionable remuneration shall be as established by the competent organ which determines their conditions of service. Thereafter, their pensionable remuneration shall be adjusted in accordance with the procedure in (b) (i) above."

Article 28

Retirement benefit

4. Article 28 (d) (i) and (ii) to read as follows:

"(d) (i) Furthermore, except as provided in (ii) below, the benefit otherwise payable at the standard annual rate in accordance with the applicable provisions of (b) or (c) above shall not exceed, as at the time of the participant's separation, the greater of:

"(A) 60 per cent of his pensionable remuneration on the date of separation; or

"(B) The maximum benefit payable under the same provisions of (b) or (c) above to a participant at the D-2 level (top step of the scale of pensionable remuneration appended to article 54 during the preceding five years) with 35 years of contributory service, separating on the same date as the participant;

"(ii) However, the benefit payable to a participant to whom the provisions of (i) above are applicable shall not be less than the benefit that would have been payable to him at the standard annual rate if he had separated from service on 31 March 1991, except for a participant separating at the level of Under Secretary-General, Assistant Secretary-General or their equivalents for whom the benefit shall not be less than what it would have been if such separation had taken place on 31 March 1986."

ANNEX V

Pension adjustment system

Table 1. Countries where the interim measure is applicable, with the corresponding "floor" ratios

Afghanistan	55.00
Austria	17.63
Belgium	51.12
Benin	394.00
Burkina Faso	394.00
Burma	7.76
Cameroon	394.00
Central African Republic	394.00
Chad	394.00
Comoros	394.00
Congo	394.00
Côte d'Ivoire	394.00
Cuba	.863
Cyprus	.557
Czechoslovakia	11.32
Denmark	9.21
Equatorial Guinea	394.00
Finland	5.54
France	7.86
French Guiana	7.86
Gabon	394.00
Germany, Federal Republic of	2.51
German Democratic Republic	2.51
Guadeloupe	7.87
Iran, (Islamic Republic of)	84.37
Ireland	.839
Italy	1,668.00
Japan	220.00
Jordan	.371
Korea, Democratic People's Republic of	2.37
Kuwait	.294
Luxembourg	51.12
Mali	394.00
Malta	.413
Martinique	7.86
Monaco	7.86
Mongolia	3.42
Netherlands	2.83
New Caledonia	141.00
Niger	394.00
Norway	7.90
Romania	12.00
Rwanda	93.00
Sao Tome and Principe	41.20
Senegal	394.00
Seychelles	6.61
Spain	152.04
Sweden	7.74
Switzerland	2.10
Togo	394.00
Union of Soviet Socialist Republics	.765
United Kingdom of Great Britain and Northern Ireland	.724

Table 2. Description of the "Washington Formula" and the modifications thereof

Current		Modifications considered				
36-month average excess of post adjustment classes over that of New York	Cost-of-living differential factor*	36-month average excess of post adjustment classes over that of New York	Cost-of-living differential factor A*	B	C	D
	(per cent)		(per cent)			
less than 4	0	less than 1	0	0	0	5
4	3	2	3	3	5	10
5	7	3	7	7	10	16
6	12	4	12	12	16	22
7	17	5	17	17	22	28
8	22	6	22	22	28	34
9	28	7	28	28	34	41
10	34	8	34	34	41	46
11	40	9	40	40	48	55
12 or more	46	10	46	46	55	63
		11	53	53	63	71
		12 or more	61	61	71	80
				Without FAR limit		

---

* The cost-of-living differential factors are applied only to that part of the final average remuneration that is less than or equal to the pensionable remuneration at P-2, step XI.

Table 3. Initial local currency pensions of officials at P-4, step XII, with 20 years of contributory service on 1 January of the years 1979 to 1990

(In local currency units)

Countries	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	Average
United States of America	L 16 568	18 168	20 217	22 720	24 962	27 000	28 303	28 709	28 709	28 706	28 690	H 29 243	25 166
Austria	L 272 047 (16.42)	269 795 (14.85)	309 118 (15.29)	342 929 (15.09)	376 926 (15.10)	451 170 (16.71)	512 284 (18.10)	H 556 668 (19.39)	534 274 (18.61)	506 087 (17.63)	505 805 (17.63)	515 554 (17.63)	429 388 (17.06)
Canada	L 19 385 (1.17)	21 257 (1.17)	23 856 (1.18)	26 810 (1.18)	29 954 (1.20)	32 940 (1.22)	35 379 (1.25)	37 035 (1.29)	38 470 (1.34)	H 39 040 (1.36)	37 584 (1.31)	36 554 (1.25)	31 485 (1.25)
France	L 78 532 (4.74)	83 209 (4.58)	98 578 (4.88)	115 038 (5.06)	133 047 (5.33)	173 610 (6.43)	213 122 (7.53)	H 240 581 (8.38)	235 701 (8.21)	225 629 (7.86)	225 503 (7.86)	229 850 (7.86)	171 033 (6.80)
Italy (in 000)	L 14 165 (855)	15 551 (856)	18 397 (910)	21 265 (936)	27 607 (1,106)	35 748 (1,324)	43 275 (1,529)	49 465 (1,723)	H 49 523 (1,725)	47 881 (1,668)	47 854 (1,668)	48 777 (1,668)	34 959 (1,389)
Switzerland	L 37 747 (2.26)	37 748 (2.08)	43 990 (2.18)	47 194 (2.08)	51 367 (2.06)	56 125 (2.08)	60 568 (2.14)	H 65 744 (2.29)	63 160 (2.20)	60 283 (2.10)	60 249 (2.10)	61 410 (2.10)	53 799 (2.14)
United Kingdom of Great Britain and Northern Ireland	L 9 132 (0.551)	9 527 (0.524)	9 633 (0.476)	11 056 (0.487)	12 948 (0.519)	15 471 (0.573)	18 595 (0.657)	20 900 (0.728)	21 159 (0.737)	20 783 (0.724)	20 772 (0.724)	H 21 172 (0.724)	15 929 (0.633)
Other locations:													
Ethiopia	L 34 039 (2.05)	37 326 (2.05)	41 536 (2.05)	46 678 (2.05)	51 317 (2.06)	55 555 (2.06)	58 335 (2.06)	59 284 (2.06)	59 379 (2.07)	59 421 (2.07)	59 388 (2.07)	H 60 533 (2.07)	51 899 (2.06)
India	L 141 822 (8.56)	150 613 (8.29)	161 736 (8.00)	184 032 (8.10)	211 179 (8.46)	246 780 (9.14)	283 313 (10.01)	316 086 (11.01)	340 776 (11.87)	358 251 (12.48)	371 249 (12.94)	H 412 619 (14.11)	264 871 (10.52)
Japan (in 000)	L 4 307 (260)	4 233 (232)	5 848 (289)	6 434 (283)	6 908 (277)	H 7 238 (268)	7 149 (253)	7 008 (244)	6 550 (228)	6 315 (220)	6 311 (220)	6 433 (220)	6 228 (247)
Kenya	L 134 366 (8.11)	141 710 (7.80)	152 032 (7.52)	179 715 (7.91)	226 405 (9.07)	296 460 (10.98)	361 146 (12.76)	418 290 (14.57)	447 869 (15.60)	467 908 (16.30)	479 123 (16.70)	H 526 666 (18.01)	318 808 (12.67)
Mexico (in 000)	L 332 (20.0)	409 (22.5)	458 (22.7)	527 (23.2)	824 (33.0)	2 037 (75.4)	3 645 (129)	6 122 (213)	10 790 (376)	22 338 (778)	41 146 (1 434)	H 59 655 (2 040)	12 357 (491)
Thailand	L 333 845 (20.15)	366 085 (20.15)	407 373 (20.15)	467 350 (20.57)	536 184 (21.48)	605 340 (22.42)	655 214 (23.15)	705 093 (24.56)	736 960 (25.67)	H 757 838 (26.40)	739 628 (25.78)	746 574 (25.53)	588 124 (23.37)

* Figures in parentheses are the ratios of the local currency track pensions to the dollar track pensions.

L = lowest initial pension.

H = highest initial pension.

ANNEX VI

Member organizations of the Fund

The member organizations of the Fund are the United Nations and the following:

European and Mediterranean Plant Protection Organization (EPPO)

Food and Agriculture Organization of the United Nations (FAO)

Interim Commission for the International Trade Organization (ICITO)

International Atomic Energy Agency (IAEA)

International Centre for the Study of the Preservation and the Restoration of Cultural Property (ICCROM)

International Civil Aviation Organization (ICAO)

International Fund for Agricultural Development (IFAD)

International Labour Organisation (ILO)

International Maritime Organization (IMO)

International Telecommunications Union (ITU)

United Nations Educational, Scientific and Cultural Organization (UNESCO)

United Nations Industrial Development Organization (UNIDO)

World Health Organization (WHO)

World Intellectual Property Organization (WIPO)

World Meteorological Organization (WMO)

ANNEX VII

Attendance at the three sessions of the Board in 1990

1. The following persons were accredited by the staff pension committees of the member organizations and attended one or more of the three sessions of the Board in 1990 in the capacity of either member, or alternate member or representative (varied according to the session):

Representing	Name
United Nations	
General Assembly	Mr. Y. K. Gupta (India)
General Assembly	Mr. S. Kuttner (United States of America)
General Assembly	Mr. V. A. Vislykh (Union of Soviet Socialist Republics)
General Assembly	Mr. T. Inomata (Japan)
General Assembly	Mr. U. Kalbitzer (Germany, Federal Republic of)
General Assembly	Mr. M. Ladjouzi (Algeria)
Secretary-General	Mr. K. A. Annan (Ghana)
Secretary-General	Mr. J. R. Foran (Canada)
Secretary-General	Mr. M. de la Mota (Spain)
Secretary-General	Mr. M. Baquerot (France)
Secretary-General	Mr. A. J. Miller (Australia)
Secretary-General	Ms. D. Bull (United Kingdom of Great Britain and Northern Ireland)
Participants	Mr. B. Hillis (Canada)
Participants	Ms. S. Johnston a/ (United States)
Participants	Mr. G. Fulcheri (Italy)
Participants	Ms. V. Baeza (Chile)
Participants	Ms. N. Watanaphanich (Thailand)
Participants	Mr. N. Kakar (India)
Food and Agriculture Organization of the United Nations	
Governing body	Ms. A. Bergquist (Sweden)
Governing body	Mr. A. Garrido Acuna (Chile)
Governing body	Mr. B. Munip (Malaysia)
Executive head	Mr. M. Bel Hadj Amor b/ (Tunisia)
Executive head	Ms. M. G. Iuri (Italy)

Representing	Name
Food and Agriculture Organization of the United Nations (continued)	
Participants	Mr. A. Marcucci (Italy)
Participants	Mr. M. Arrigo (Italy)
Participants	Mr. E. J. Freeman (United States)
World Health Organization	
Governing body	Sir John Reid (United Kingdom)
Executive head	Mr. M. Lafif (Tunisia)
Executive head	Dr. D. Barmes (Australia)
Participants	Ms. M. A. Dam (United States)
Participants	Mr. C. Garcia-Martinez (Spain)
Participants	Ms. V. Pedersen (Switzerland)
International Labour Organisation	
Governing body	Mr. W. Yoffee (United States)
Governing body	Mr. Y. Chotard (France)
Executive head	Mr. A. Busca [c] (Italy)
Participants	Mr. J. V. Gruat (France)
Participants	Mr. E. Ryser (Switzerland)
Participants	Ms. B. Debbas (Lebanon)
United Nations Educational, Scientific and Cultural Organization	
Governing body	Mr. G. V. Rao (India)
Executive head	Mr. Y. Kochubey (Ukrainian Soviet Socialist Republic)
Executive head	Mr. M. Ait Si Selmi (Algeria)
Participants	Mr. A. McLurg (United Kingdom)
Participants	Ms. Y. de Silva (France)
United Nations Industrial Development Organization	
Governing body	Mr. A. Malayeri (Iran (Islamic Republic of))
Governing body	Mr. E. Zador [d] (Hungary)
Executive head	Mr. K. Ahmed (Sudan)
Participants	Mr. S. Zampetti (Italy)
Participants	Mr. A. Bassili (Lebanon)

Representing	Name
International Civil Aviation Organization	
Governing body	Dr. C. V. Mpinga Mgana (United Republic of Tanzania)
Governing body	Mr. F. A. Neal (United Kingdom)
Executive head	Mr. D. J. Goossen (Netherlands)
Participants	Mr. R. G. Menzel (Germany, Federal Republic of)
Participants	Mr. L. F. Mortimer (United Kingdom)
Participants	Mr. R. Vincent (Canada)
International Atomic Energy Agency	
Governing body	Mr. P. de Klerk (Netherlands)
Executive head	Mr. D. Goethel (Germany, Federal Republic of)
Executive head	Mr. H. Seitl (Austria)
Participants	Mr. W. P. Scherzer (Austria)
International Telecommunication Union	
Governing body	Mr. M. Apothéloz (Switzerland)
Governing body	Mr. R. Mbaye (Senegal)
Executive head	Mr. J.-P. Baré (France)
Participants	Ms. F. Sala (France)
Participants	Mr. J. Bacaly (France)
Participants	Mr. P. A. Traub (Switzerland)
International Maritime Organization	
Governing body	Mr. Y. Tito (Zaire)
Governing body	Capt. R.-G. Lewis (Cyprus)
Executive head	Mr. D. G. Aitken e/ (United Kingdom)
Executive head	Mr. D. Muthumala (Sri Lanka)
Participants	Mr. D. Bertaud (France)
Interim Commission for the International Trade Organization/General Agreement on Tariffs and Trade	
Governing body	Mr. M. Ahmad (Pakistan)
Governing body	Mr. N.-E. Schyberg (Sweden)
Executive head	Mr. P. Rolian (Canada)
Executive head	Mr. P. Williams (United Kingdom)
Participants	Mr. G. Thorn (Belgium)

Representing	Name
World Meteorological Organization	
Governing body	Mr. W. Milzow (Germany, Federal Republic of)
Participants	Mr. S. Mbele-Mbong (Cameroon)
World Intellectual Property Organization	
Governing body	Mr. W. Milzow (Germany, Federal Republic of)
Executive head	Mr. R. Luther (United Kingdom)
Participants	Mr. V. Yossifov (Bulgaria)
International Fund for Agricultural Development	
Executive head	Mr. A. R. Prien (Canada)
Participants	Ms. A. Foti-McGhie (Italy)
International Centre for the Study of the Preservation and the Restoration of Cultural Property	
Participants	Ms. S. Bolstridge (United Kingdom)

2. The following attended one or more of the three sessions as either representative or alternate representative:

Federation of International Civil Servants' Associations

Mr. Aamir Ali
Ms. C. Bianchini
Mr. C. Buonaccorsi
Mr. S. Grabe
Mr. A. H. Hopker
Ms. P. K. Tsien
Mr. W. Zyss

3. The following attended one or more sessions of the Board as secretaries of staff pension committees:

Mr. G. Eberle	FAO
Ms. R. Wiedmer	WHO
Mr. R. Leone de Magistris	ILO
Ms. C. Kerlouegan	UNESCO
Ms. U. Peer	UNIDO
Mr. P. Uhl	IAEA
Mr. E. Augsburger	ITU
Mr. G. Barnard	IMO
Mr. H. Glanzmann	ICITO/GATT
Mr. E. Renlund	WMO
Mr. J.-L. Perrin	WIPO
Ms. J. Sisto	IFAD
Mr. P. Pegazzano	ICCROM

4. Also present during the discussion of relevant items on the agenda were the following members of the Investments Committee: Sheikh Ahmed Abdullatif, Mr. A. Faria, Mr. J. Guyot, Mr. G. Johnston, Mr. M. Matsukawa, Governor B. K. Nehru, Mr. Y. Oltramare, Mr. E. N. Omaboe, Professor S. Raczkowski, Mr. J. Reimnitz and Mr. P. Stormonth Darling; Mr. L. J. Martin, Rapporteur of the Committee of Actuaries, and Dr. I. Laux, Medical Consultant. The Board was assisted, in addition, by Ms. M. H. Adams, representing Buck Consultants, Inc. (consulting actuary to the Board), and Mr. L. Thomas, Vice-Chairman, Fiduciary Trust Company International of New York, the Fund's investment adviser. Mr. R. Gieri and Mr. S. K. Chow attended as Secretary and Deputy Secretary, respectively, of the Board.

5. The following also attended one or more of the Board's sessions:

Mr. R. Akwei Mr. P. Ranadive Mr. W. Sach	International Civil Service Commission (ICSC)
Mr. R. Eggleston	Consultative Committee on Administrative Questions (CCAQ)
Mr. E. Denti	Federation of International Civil Servants' Associations (FICSA)
Mr. J. Sundaresan Mr. L. Bourne	Co-ordinating Committee for Independent Staff Unions and Associations of the United Nations System (CCISUA)
Mr. J. F. Armistead	Inter-American Development Bank (IADB)

Notes

a/ Second Vice-Chairman.

b/ First Vice-Chairman - thirty-ninth session.

c/ Rapporteur.

d/ Chairman.

e/ First Vice-Chairman - fortieth and forty-first sessions.

ANNEX VIII

Membership of the Standing Committee

The following members, alternates and representatives were appointed by the Board at its fortieth session:

Representing	Members	Alternates
United Nations (Group I)		
General Assembly	Mr. S. Kuttner	Mr. V. A. Vislykh
General Assembly	Mr. Y. K. Gupta	Mr. M. Ladjouzi
Secretary-General	Mr. K. A. Annan	Mr. M. Baquerot
Secretary-General	Mr. J. R. Foran	Mr. A. J. Miller
Participants	Ms. S. Johnston	Mr. G. Fulcheri
Participants	Mr. B. Hillis	Ms. V. Baeza
Specialized agencies (Group II)		
Governing body	Sir John Reid (WHO)	To be designated (WHO)
Executive head	Mr. M. Bel Hadj Amor (FAO)	To be designated (FAO)
Participants	Ms. M. A. Dam (WHO)	Mr. A. Marcucci (FAO)
Specialized agencies (Group III)		
Governing body	Mr. G. V. Rao (UNESCO)	Mr. O. Laptenok (UNESCO)
Participants	Mr. E. Ryser (ILO)	Mr. J. V. Gruat (ILO)
Specialized agencies (Group IV)		
Governing body	Mr. P. de Klerk (IAEA)	Mr. E. Zador (UNIDO)
Executive head	Mr. D. J. Goossen (ICAO)	Mr. J.-P. Baré (ITU)
Specialized agencies (Group V)		
Executive head	Mr. J. K. Murithi (WMO)	Mr. D. G. Aitken (IMO)
Participants	Mr. V. Yossifov (WIPO)	Mr. F. Tesfamariam (IFAD)

Representatives	Organization	Representing
Mr. M. Lafif	WHO	Executive head
Ms. A. Bergquist	FAO	Governing body
Mr. Y. Kochubey	UNESCO	Executive head
Mr. A. McLurg	UNESCO	Participants
Mr. W. Yoffee	ILO	Governing body
Mr. A. Busca	ILO	Executive head
Mr. W. P. Scherzer	IAEA	Participants
Mr. K. Ahmed	UNIDO	Executive head
Mr. C. V. Mpinga Mgana	ICAO	Governing body
Ms. F. Sala	ITU	Participants
Mr. N.-E. Schyberg	ICITO/GATT	Governing body

Representatives	Organization	Representing
To be designated	ICCROM	ICCROM
To be designated	EPPO	EPPO
Mr. Aamir Ali	FAFICS	Pensioners
Ms. P. K. Tsien (Alternate)	FAFICS	Pensioners

ANNEX IX

Membership of the Committee of Actuaries

The membership of the Committee is as follows:

Mr. A. O. Ogunshola (Nigeria) - Region I (African States)

Mr. K. Takeuchi (Japan) - Region II (Asian States)

Mr. E. M. Chetyrkin (Union of Soviet Socialist Republics) - Region III (Eastern European States)

Mr. H. Perez Montas (Dominican Republic) - Region IV (Latin America)

Mr. L. J. Martin (United Kingdom of Great Britain and Northern Ireland) - Region V (Western European and other States)

ANNEX X

Recommendation to the General Assembly for changes in the pension adjustment system a/

Existing text	Proposed text	Comments
Section C a/ Determination of base amounts	Section C a/ Determination of base amounts	
Paragraph 5 (b) (i). A cost-of-living differential factor is established for the country of residence and the month of separation as explained in section D below. This factor is applied to that portion of the final average remuneration which does not exceed the pensionable remuneration at grade P-2, step XI, on the date of entitlement. The resulting amount is added to the final average remuneration;	Paragraph 5 (b) (i). A cost-of-living differential factor is established for the country of residence and the month of separation as explained in section D below. This factor is applied to that portion of the final average remuneration which does not exceed the pensionable remuneration at grade P-2, top step in the scale of pensionable remuneration referred to in article 54 (b) of the Fund's Regulations, on the date of entitlement. The resulting amount is added to the final average remuneration;	To take account of the additional step in the restructured salary scale and in the consequent scale of pensionable remuneration, effective 1 July 1990.
Section P a/ Interim measure for calculation of the local currency base amount		
Paragraphs 35 and 36.	No change	
None	37. As a transitional measure, participants aged 55 or more on 31 December 1990, who separate from service or die in service between 1 January 1991 and 31 March 1992, shall be entitled to no less than the local currency base amount to which they would have become entitled under paragraphs 35 and 36 above, if they had separated on 31 December 1990, at the age and with the final average remuneration and contributory service attained on that date.	To provide a transitional measure after 31 December 1990 in the light of the expiration of the interim measure.

---

a/ The pension adjustment system was adopted by the General Assembly under resolution 37/131 of 17 December 1982 and subsequently amended by Assembly resolutions 39/246 of 18 December 1984, 41/208 of 11 December 1986, 42/222 of 21 December 1987 and 44/199 of 21 December 1989.

ANNEX XI

Draft resolution proposed for adoption by the General Assembly

As some matters relating to the comprehensive review of the pensionable remuneration for staff in the Professional and higher categories are also dealt with in the annual report of the International Civil Service Commission, the United Nations Joint Staff Pension Board is not in a position to propose to the General Assembly for adoption a draft resolution covering all the points on which action by the Assembly may be required. It believes, however, that the resolution should contain the following preambular and operative paragraphs:

The General Assembly,

Recalling its resolution 44/199 of 21 December 1989,

Having considered the report of the United Nations Joint Staff Pension Board for 1989 to the General Assembly and to the member organizations of the United Nations Joint Staff Pension Fund, *a*/ chapter III of the report of the International Civil Service Commission, *b*/ the report of the Secretary-General on the investments of the Fund, *c*/ and the related report of the Advisory Committee on Administrative and Budgetary Questions,

I

PENSIONABLE REMUNERATION FOR STAFF IN THE PROFESSIONAL AND HIGHER CATEGORIES

[Paragraphs to be formulated on the basis of the General Assembly's consideration of the relevant portions of the respective reports of the Board *a*/ and of the International Civil Service Commission. *b*/]

II

PENSIONABLE REMUNERATION OF STAFF IN THE GENERAL SERVICE AND OTHER LOCALLY RECRUITED CATEGORIES

1. *Takes note* of the intention of the International Civil Service Commission to undertake, in full co-operation with the Board, a comprehensive review of the pensionable remuneration and consequent pensions of staff in the General Service and other locally recruited categories in 1991, and requests the Commission to present its recommendation thereon to the General Assembly at its forty-sixth session;

2. *Takes note* of the arrangements, designed to ensure full co-operation in the conduct of the comprehensive review, agreed upon by the International Civil Service Commission as set out in paragraphs 55 to 57 of its report *b*/ and by the United Nations Joint Staff Pension Board as set out in paragraphs 72 to 75 of its report; *a*/

READEX FICHE

III

CHANGES IN THE PENSION ADJUSTMENT SYSTEM

1. *Takes note* of section E of the report of the United Nations Joint Staff Pension Board *a*/ on the pension adjustment system, in particular of the modifications of that system considered by the Board, including the proposal of the International Telecommunication Union, regarding determination of the initial local currency pension in the light of the expiration on 31 December 1990 of the interim measure approved by the General Assembly in its resolution 42/222 of 21 December 1987;

2. *Takes note* of the arrangements made by the Board to continue, in 1991, its efforts to develop a long-term approach to the determination of the initial local currency pension, and requests the Board to present, if possible, recommendations thereon to the General Assembly at its forty-sixth session;

3. *Approves*, with effect from 1 January 1991, the transitional measure recommended by the Board in paragraph 114 of its report *a*/ and the consequential change in the pension adjustment system, as set out in annex X of the report of the Board;

4. *Approves*, with retroactive effect to 1 July 1990, the change in the pension adjustment system resulting from the introduction of a new salary structure for staff in the Professional and higher categories, as set out in annex X of the report of the Board; *a*/

IV

IMPLEMENTATION BY THE INTERNATIONAL LABOUR ORGANISATION OF JUDGMENT NO. 990 OF ITS ADMINISTRATIVE TRIBUNAL

Noting the information provided in paragraphs 188 and 189 of the report of the United Nations Joint Staff Pension Board *a*/ on Judgment No. 990 of the Administrative Tribunal of the International Labour Organisation (*in re* Cuvillier (No. 3) vs. the ILO) and the request by the ILO Director-General for assistance by the Board in the implementation of that judgment;

Approves the recommendation of the United Nations Joint Staff Pension Board, as set out in paragraph 190 of its report, *a*/ to provide the assistance requested, on the understanding that all the conditions specified by the Board in that paragraph are met;

V

OTHER MATTERS

Takes note of the other matters considered in the report of the United Nations Joint Staff Pension Board; *a*/

VI

INVESTMENTS OF THE UNITED NATIONS JOINT STAFF PENSION FUND

Takes note with appreciation of the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund. [c]

Notes

[a] *Official Records of the General Assembly, Forty-fifth Session, Supplement No. 9* (A/45/9).

[b] *Ibid.*, *Supplement No. 30* (A/45/30).

[c] A/C.5/45/7.

كيفية الحصول على منشورات الأمم المتحدة

يمكن الحصول على منشورات الأمم المتحدة من المكتبات ودور التوزيع في جميع أنحاء العالم . استعلم عنها من المكتبة التي تتعامل معها أو اكتب إلى : الأمم المتحدة ، قسم البيع في نيويورك أو في جنيف .

如何购取联合国出版物

联合国出版物在全世界各地的书店和经售处均有发售。请向书店询问或写信到纽约或日内瓦的联合国销售组。

HOW TO OBTAIN UNITED NATIONS PUBLICATIONS

United Nations publications may be obtained from bookstores and distributors throughout the world. Consult your bookstore or write to: United Nations, Sales Section, New York or Geneva.

COMMENT SE PROCURER LES PUBLICATIONS DES NATIONS UNIES

Les publications des Nations Unies sont en vente dans les librairies et les agences dépositaires du monde entier. Informez-vous auprès de votre libraire ou adressez-vous à : Nations Unies, Section des ventes, New York ou Genève.

КАК ПОЛУЧИТЬ ИЗДАНИЯ ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ

Издания Организации Объединенных Наций можно купить в книжных магазинах и агентствах во всех районах мира. Наводите справки об изданиях в вашем книжном магазине или пишите по адресу: Организация Объединенных Наций, Секция по продаже изданий, Нью-Йорк или Женева.

COMO CONSEGUIR PUBLICACIONES DE LAS NACIONES UNIDAS

Las publicaciones de las Naciones Unidas están en venta en librerías y casas distribuidoras en todas partes del mundo. Consulte a su librero o diríjase a: Naciones Unidas, Sección de Ventas, Nueva York o Ginebra.

Litho in United Nations, New York 01200 23846–October 1990–3,750
ISSN 0252-1202